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Report

drawn up on behalf of the Committee on Budgets

on the draft general budget of the European Communities for 1976

(Doc. 306/75)

Rapporteur: Mr M. COINTAT

PE 42.300/fin.

On 15 July 1975 the Committee on Budgets appointed Mr Cointat rapporteur on the draft general budget of the European Communities for 1976 (with particular reference to Section III - Commission).

The draft general budget of the Communities drawn up by the Council was forwarded to the European Parliament on 29 September 1975, within the time-limit laid down in the Treaties.

On 14 October 1975 the European Parliament referred this draft budget to the Committee on Budgets as the committee responsible and to the other committees which expressed a wish to deliver an opinion on it.

On 16 September 1975 the preliminary draft budget was considered in the presence of the Commission.

A delegation from Parliament, consisting of members of the Committee on Budgets, met the Council on 22 September 1975.

The draft budget was considered in the presence of the Commission on 1 and 6 October 1975, and in the presence of the Commission and Council of the European Communities on 21 October, 30 October and 4 November 1975.

The draft amendments and proposed modifications were considered on 30 October and 4 November 1975 in the presence of the Council and Commission.

At the meeting of 4 November 1975, the Committee on Budgets considered the draft report drawn up by Mr Cointat and unanimously adopted the motion for a resolution.

Present: Mr Lange, chairman; Mr Aigner, vice-chairman; Mr Cointat, rapporteur; Mr Artzinger, Mr Brugger, Mr Dalyell, Mr Früh, Mr Lautenschlager, Mr Notenboom, Mr Shaw and Mr Yeats.

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A

The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the draft general budget of the European Communities for the 1976 financial year

The European Parliament,

- having regard to the preliminary draft budget of the European Communities and in particular to the general introduction and Section III (Commission),
- having regard to the draft general budget of the European Communities for the 1976 financial year, drawn up by the Council and the accompanying explanatory memorandum (Doc. 306/75), and the letters of amendment to the preliminary draft budget forwarded by the Council by letters of 17 September and 16 October 1975,
- having regard to the dialogue with the Commission and the Council,
- having regard to the report of the Committee on Budgets, the opinions of the other committees and the draft amendments and proposed modifications annexed to this report (Doc. 361/75);

GENERAL CONSIDERATIONS

A. - The inter-institutional dialogue

1. Welcomes the constructive atmosphere and high quality of the inter-institutional dialogue which opened the 1976 budgetary procedure and hopes that this can be continued under the same conditions until the budget is adopted;

B. - The preliminary draft budget

2. Recognizes the effort made by the Commission in the clear and full presentation of the broad lines of the preliminary draft budget; welcomes the inclusion in the preliminary draft budget of triennial forecasts, but hopes that these will in future be based on assumptions of a more political character;

C. - The draft budget

3. Considers that the draft budget submitted to it is not a coherent political document containing a set of forecasts but an accounting record intended for cashiers rather than for politicians;
4. Finds it inadmissible in particular that the explanatory memorandum, which is in any case not sufficiently explicit, already announces several supplementary budgets during the financial year despite the fact that the Financial Regulation allows the entry of provisional appropriations and that Parliament has declared its opposition to the policy of supplementary budgets;

D. - The budgetary calendar

5. Is fully aware of the practical difficulties presented by the existing budgetary calendar, declares its readiness to envisage an adjustment of this calendar and suggests in this connection an initial examination, before 15 July, of the main lines of the budget for the next financial year;
6. Considers, however, that this adjustment must not encroach on the essential forecasting character of the budget;

I. EVOLUTION OF THE COMMUNITY BUDGET

A. - Adaptation of the Treaties to the increase in the budgetary powers of the European Parliament

7. Deplores the fact that, despite successive reviews of the budgetary procedure (Treaties of 22 April 1970 and 22 July 1975), the artificial character of several current provisions does not allow the Parliament, on matters of substance, a genuine power of co-decision in the adoption of the Community budget;
8. Consider in particular that the mechanism based on the distinction between compulsory and non-compulsory expenditure must be abolished;
9. Therefore considers a subsequent review of the Treaties essential in order to give the European Parliament elected by direct universal suffrage clear and comprehensive budgetary powers from the outset;
10. Reaffirms its wish for this review to be completed before 31 December 1976¹ so that it can apply to the consideration of the 1978 budget;

¹ See paragraph 30 of the Resolution tabled by Mr Lange on behalf of the Committee on Budgets and adopted by the European Parliament on 11.7.1975 (OJ No. C179, p.48).

B. - Definitive introduction of the system of own resources

11. Points out that, according to the time schedule laid down in the Decision of 21 April 1970, the Community VAT system should have been applicable on 1 January 1975, and criticizes the Council's failure in this area;
12. Reiterates its request for this system to enter into force on 1 January 1977 at the latest¹;

C. - Respect for certain fundamental principles in the budgetary sphere

13. Points out that in its presentation and implementation, the Community budget must respect certain basic rules of budgetary law and in particular:
 - (a) show all categories of revenue and expenditure of the Communities without exception, including **lending** activities and the various funds;
 - (b) include all expenditure foreseeable at the time of its adoption so as to render exceptional the submission of supplementary budgets;
 - (c) authorize expenditure for a period of one calendar year only, while enabling appropriations to be carried forward and commitment appropriations used according to clear and precise procedures;

D. - Need for inter-institutional cooperation

14. Stresses the essential need for an ongoing and open dialogue between the Institutions throughout the budgetary period in order to facilitate in particular the achievement of the necessary agreements between the Parliament and the Council;

II. BROAD LINES OF THE 1976 DRAFT BUDGET

A. - Application of the budgetary mechanism

15. Notes the Council's declaration recognizing the definitive nature of the Parliament's margin for manoeuvre and considers, in agreement with the Commission, that this margin amounts to at least 78 m u.a. for the 1976 budget; points out that beyond this margin the Treaties allow it, in agreement with the Council, to decide on a higher increase in non-compulsory expenditure;

¹ See paragraph 5 of the resolution tabled by Mr Notenboom on behalf of the Committee on Budgets and adopted by the European Parliament on 20.6.1975 (OJ No. C 157, p.86).

16. Expects the Council to include in future draft budgets columns showing the appropriations proposed by the Commission in the preliminary draft budget;

B. - The Council's budgetary and political options

17. Deplores the absence of any justification and precise political commitment in the explanatory memorandum to the draft budget;
18. Considers that the draft budget reflects a regrettably strained attitude and a reluctance to face the Community's economic difficulties;
19. Recognizes the motives for the Council's concern for austerity but considers that the artificially induced stagnation of Community expenditure will bring no immediate alleviation of the present economic difficulties of the Member States and will in the medium term jeopardize the coordinated revival of their economies;
20. Therefore stresses that in 1976 a rate of expenditure capable of allowing the development of Community activities and in particular further integration of the socio-economic structures of the Member States must be maintained;
21. Keenly regrets the Council's refusal to allow the financing of new Community actions in the 1976 financial year, thus giving an unfortunate impression of inertia in the draft budget;

C. - Overall assessment of the main lines of the draft budget

22. Approves the intention manifested by the Commission of resorting increasingly to loans to finance certain Community activities; regrets the restrictive attitude adopted by the Council in this area and points out that the borrowing and lending operations must be budgetized so as to enable parliamentary authorization and control to be exercised effectively;
23. Deplores the low rate of growth in real terms (less than 10%) in the appropriations provided for 1976 and the heightened imbalance of the budget towards the agricultural sector (74% of the total appropriations);

24. Notes that this imbalance is essentially due to the smallness of the appropriations intended for the non-agricultural operational sectors;

III. CONSIDERATION OF THE MAIN ACTIVITY SECTORS

A. - Operating appropriations

25. Considers that the Commission must have at its disposal the staff needed to cope with the increase in its work resulting from Council decisions and must be able to ensure normal progression of the careers of its officials; therefore considers that the appropriations entered in the preliminary draft for the creation of posts must be partially reinstated;

B. - Agricultural sector

26. Points out that an active social and structural policy can alone enable the EAGGF administrative expenditure to be regularized and reduced;
27. Therefore, regrets the relative reduction in the share of agricultural appropriations earmarked for guidance actions;
28. Regrets the absence of full annual budgetary forecasts for the Guarantee Section of the EAGGF;

C. - Social sector

29. Is fully aware of the gravity of the social problems created by the economic crisis, in particular for younger members of the population, and finds the appropriations entered for the Community social policy to be inadequate;

D. - Regional sector

30. Considers that as the payment appropriations entered in the draft budget may prove inadequate, an additional provision must be entered in Chapter 98 so as to avoid the possible need for a supplementary budget;

E. - Research, technology, industry, energy sector

31. Deplores the inadequacy of the appropriations provided for this sector (1.8% of the total budget), reflecting the Council's indecision in areas which are vital parts of the Community economy;
32. Considers that a large proportion at least of the appropriations provided by the Commission must be reinstated to enable these actions to be initiated rapidly once the Council has taken the necessary decisions;

F. - Development aid sector

33. Cannot accept the reduction in appropriations below the 1975 level proposed by the Council and considers it essential on the contrary to increase Community aid in line with the enormous needs of the developing countries;
34. Considers in particular that the appropriations provided for food aid must be reinstated and that the actions anticipated in favour of the non-associated developing countries and the Maghreb must appear in the budget;

CONCLUSIONS

35. (a) Expects the Council to react favourably to its observations and suggestions concerning the evolution of the budgetary procedure, the introduction of the Community VAT and compliance with certain budgetary rules;
- (b) wishes to examine these points with the Council in the further course of the dialogue on the adoption of the 1976 budget;
- (c) believes that this adoption will be greatly facilitated by bringing the positions of the two Institutions closer together on these essential matters;
36. Invites the Council to make the budget a political instrument fundamental to Community life;
37. Considers that it is the duty of each of the Institutions to contribute on a constantly increasing scale, through the budget, to the Community's efforts to overcome social and economic difficulties and to strengthen integration in the vital sectors of Community activity;
38. Instructs its President to forward the modified draft budget, this resolution, the minutes of this sitting and the report of its Committee on Budgets to the Council.

EXPLANATORY STATEMENTGENERAL INTRODUCTION

The draft general budget of the European Communities for 1976 consists of 7 separate volumes:

- Vol. 1: Revenue
 - Calculation of the relative shares of each Member State
 - Summary of expenditure
 - Staff
- Vol. 2: Parliament
- Vol. 3: Council
- Vol. 4: Commission
 - Annex I: Research and investment
 - Annex II: Publications Office
- Vol. 5: Research and investment (detailed statement)
- Vol. 6: Court of Justice
- Vol. 7: Explanatory statement

As regards expenditure, this report concerns only the part of the draft budget relating to the Commission. Two separate reports are submitted to Parliament on the budgets of the other institutions (Parliament, the Council, and the Court of Justice). Thus, this study relates only to Volumes 1, 4, 5 and 7.

Parliament has to consider the draft budget established by the Council at the same time as the preliminary draft proposed by the Commission. It is desirable here to stress the progress made by the Commission in the presentation of the preliminary draft budget and especially in the explanatory statement (Volume 7), which clearly describes the Commission's strategy on the financing of Community activities for 1976. On the other hand we must deplore the laconic and purely technical nature of the Council's explanatory statement, which does not constitute the declaration of policy Parliament had a right to expect from that institution.

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It is also alarming to note that the 1976 budgetary procedure could become somewhat chaotic. The Commission has already had to draw up two letters of amendment to the preliminary draft and draft budgets:

- the first dealt with the Guarantee Section of the EAGGF, the appropriations for which could not be fixed until around 15 September.
- the second concerned Community aid to Portugal.

Furthermore, the Council has made known its intention to propose - again in the form of a letter of amendment - further changes to the draft budget with a view to achieving additional savings before the budget is finally adopted. Finally, the Council envisages already at this stage the need to resort to several supplementary budgets in 1976. These successive changes in the appropriations could give rise to confusion and make it difficult to establish the real policies underlying this 'elusive' budget and the true total expenditure involved.

While the 1975 budget corresponded to the introductory phase of the new budgetary provisions laid down in Article 203 of the EEC Treaty¹, it should be possible to achieve, with 1976 budget, a measure of regularity in the application of mechanisms which despite their regrettable complexity, are already to some extent familiar to the institutions.

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This report is divided into three main parts :

- the first contains a critical appraisal of the present budgetary procedure in the context of the necessary development of Parliament's budgetary powers;
- the second part deals with the problems arising from the application of this procedure to the 1976 budget and considers the broad lines of this budget;
- the third part considers in greater detail the overall appropriations for each of the Community's major sectors of activity.

In addition to these three sections, details are given of the proposals for modifications and draft amendments adopted or considered by the Committee on Budgets. Finally, the report also considers separately the triennial financial forecasts appearing in the annex to the Commission's explanatory statement on the preliminary draft budget (Vol. 7).

¹Article 78 of the ECSC Treaty
Article 177 of the Euratom Treaty

PART ONE: THE HISTORY OF THE COMMUNITY BUDGET

J - COMMUNITY BUDGETARY PROCEDURE

(a)- Complex and evolutive nature of Community budgetary procedure

1. The adoption of the budget of a public body always sets complex machinery in motion, and the Community budget is no exception to this rule. The European budgetary procedure is also evolutive in nature to the extent that it must be adapted to the gradual increase in the budgetary powers of the European Parliament; the procedure applicable to the 1975 and 1976 budgets thus falls mid-way in a continuous process, the main stages of which have been or will be as follows:

- until 1970: original procedure laid down in the Treaties
 - from 1971 to 1975: transitional procedure laid down in the Treaty of 22 April 1970 (following the creation of own resources)
 - 1975 and 1976: procedure laid down in the Treaty of 22 April 1970
 - 1977 onwards: procedures laid down in the Treaty of 22 July 1975
- (- 1978: further review requested by Parliament in its opinion on the Treaty of 22 July 1975).¹

2. The 1976 budget is thus the second to be adopted under the procedure laid down in the Treaty of 22 April 1970 and embodied in Article 203 of the EEC Treaty ².

When the 1975 budget was adopted, many difficulties arose in connection with the interpretation of Article 203; some remain, and a solution will have to be found to them in dealing with the budget for 1976.

(b)- Problems arising from the application of Article 203 EEC

3. These problems arise in the main because Parliament's budgetary powers revolve around the concept of compulsory and non-compulsory expenditure:

¹See paragraph 30 of the resolution of 11 July 1975 (OJ No.C 179, p.48)

²Article 78 EAEC and Article 177 ECSC

4. Classification of expenditure : the classification is proposed each year by the Commission and adopted during the budgetary procedure by joint agreement between Parliament and the Council. Experience with the 1975 budget showed how artificial the concept of 'compulsory' Community expenditure was; it has been the cause of serious and unproductive differences of interpretation between the Council and Parliament as regards the Regional Fund, and there could well be disagreement again over the 1976 budget. Moreover, the concept of classification is very badly received by observers and the public and helps to create the impression that the Community budget is excessively technical and complex.
5. Maximum rate of increase of non-compulsory expenditure (NCE);
This rate is fixed annually by the Commission in the light of economic criteria and is in practice an index rate for NCE. Experience with the 1975 budget also showed how unrealistic this concept of indexing was when applied to the expenditure of a developing Community which is introducing year by year new projects requiring new financial resources. Experience clearly shows that this 'maximum' rate will be exceeded each year. It thus becomes theoretical and merely adds to the complexity and opacity of the budgetary procedure.
6. New rate of increase of NCE: Article 203 provides for the possibility, in 'exceptional cases', of the maximum rate being exceeded and a new rate of increase of NCE fixed. But, as we have just said in paragraph 5, there will be nothing 'exceptional' about a new rate in the future and it is even liable to become the rule. The procedure for fixing this new rate is particularly delicate, since agreement must be reached between Parliament and the Council inside the short time limit allowed by the Treaties and the majority requirements are very strict. There is thus a risk that it could make the outcome of the budgetary procedure highly uncertain.
7. The European Parliament's margin for manoeuvre: is the amount by which it is free to decide an increase in NCE; thus it is the key indicator of the extent of its real budgetary powers. The margin is determined by a rather complicated calculation on the basis of the maximum rate fixed by the Commission; it also depends on the CE/NCE classification, and any disagreement about the classification inevitably has repercussions on the exact size of the margins thereby heightening the uncertainty of the whole budgetary mechanism.

(c)- Need for changes in the budgetary procedure

8. After ratification, the Treaty of 22 July 1975 will make a number of changes to the budgetary procedure which may already be applicable to the adoption of the 1977 budget. In Parliament's view¹, some of these changes will considerably improve the present system, but they leave untouched the mechanism described above based on the CE/NCE distinction. Parliament regretted this shortcoming and asked for the 'arbitrary and ambiguous' distinction to be abolished before 31 December 1976, in other words before the 1978 budget is considered. Because of the successive amendments to the budgetary procedure already listed in paragraph 1, over a period of five years (1974 to 1978) the Community budget will have been adopted in four different ways.
9. This unfortunate situation is mainly the result of the Council's 'step-by-step policy' towards increasing Parliament's budgetary powers: the minimal improvements agreed to by the Council in the last few years have rapidly been overtaken by the need for greater democracy in the Communities. It therefore seems that, in the interest of all the institutions, there will have to be a real 'break-through' if Parliament is to be endowed with well-defined and complete budgetary powers.

¹

Resolution of 11 July 1975 (OJ No C 179, p.45) cited above.

II - PRESENTATION AND MANAGEMENT OF THE BUDGET

10. It is perhaps not inadvisable to draw the attention of the institutions this year to the need to comply with some basic principles of budget law in the presentation and management of the Community budget.

(a) - Presentation of the budget

11. The principle of budgetary unity means that the budget must show all foreseeable revenue and expenditure. At Community level, this principle is expressly stated in the Treaties and in the Financial Regulation¹. The Council has even made an explicit statement on it². Some Community financial activities - such as those of the ECSC or the EDF - are not, however, included in the budget at present. The Commission, moreover, plans to start two major borrowing operations in 1976: Euratom loans and Community loans³ whose inclusion in the budget is giving rise to differences of opinion between the institutions.
12. These various financial activities could amount to some 4,200m u.a. in 1976, or the equivalent of 55% of the total budget: this gives some idea of the amounts and activities over which Parliament has no control when the budget is adopted. It therefore seems important to recognize the gravity of this phenomenon of debudgetization when considering the 1976 budget and to oppose it so that the progress made in the sphere of Parliament's budgetary powers should not be, in part at least, merely token progress.

¹ Article 199 EEC: 'All items of revenue and expenditure of the Community ... shall be included ... in the budget.'
Article 1(1) of the Financial Regulation: 'The budget of the European Communities ... is the act which makes provision for and authorizes ... the expected revenue and expenditure of the Communities'.

² When the conciliation procedure was introduced, the Council recalled the principle whereby 'all items of revenue and expenditure of the Community shall be included in the budget'. Letter dated 17.2.1975 from the President of the Council to the President of the European Parliament.

³ Euratom loans: to contribute towards the financing of nuclear power stations.
Community loans: to help Member States experiencing balance of payments difficulties as a result of the increase in the price of petroleum products.

13. The principle of budgetary specialization implies that public expenditure should be presented in a detailed manner to enable Parliament to have control of appropriations that are sufficiently specific instead of vague sums whose distribution is left entirely to the initiative of the budgetary executive. With the exception of some sectors such as the Social Fund or the Regional Fund for which the articles are inadequately differentiated, Community budgetary nomenclature in general complies with this principle. On the other hand, the budgetary nomenclature is full of discrepancies that are sometimes difficult to explain and complicate comparative studies from one year to the next. It is desirable for the definition of budget chapters not to be left to the analytical or summarizing whims of directorates-general but to be governed by simple and precise rules which, without falling into the trap of a multiplicity of budget chapters, allow the greatest possible transparency in expenditure estimates.

It is essential for Parliament to ensure that the budgetary nomenclature is put into clearer shape.

14. The principle of an annual budget means that expenditure is authorized for only a limited period of one year. Obviously, in some cases, the principle has to be adjusted to meet the requirements of the modern management of public finances (financing of plans or programmes spread over several years). But it must not be forgotten that the purpose of the annual budget principle is to enable the budgetary authority to control public revenue and expenditure at regular and short intervals; the budgetary authority cannot agree to relinquish control of one category of expenditure for several years on the pretext that it is financing a multi-annual project. The European Parliament must therefore give careful consideration to any amendment that might call into question the principle of an annual budget.
15. It should also be pointed out, however, that the present provisions of the Financial Regulation do not contain a sufficiently precise and uniform definition of the distinction between 'payment appropriations' and 'commitment appropriations'.

This concept will have to be clarified as soon as possible, as will the projects to which it may be applied.¹

¹See Commission's proposal of 25 July 1975 (Doc. 234) and Parliament's interim resolution of 15 October 1975 (Doc. 305).

(b) - Management of the budget

16. The budget should normally enable all foreseeable expenditure to be authorized and effected during the financial year in question. It should therefore in the first instance include all items of foreseeable expenditure when it is adopted so that, as far as possible, there is no need for supplementary budgets during the financial year. Community practice so far has unfortunately been to budgetize only expenditure that will definitely be effected. This restrictive and somewhat demagogic policy which makes it possible to show, when the annual budget is adopted, a rate of increase that is artificially reduced by comparison with expenditure in the preceding financial year, makes for an undesirable complication of the budgetary procedure; moreover, with the mechanisms provided in Article 203, Parliament does not have the same scope for action in the case of supplementary budgets (notably the margin for manoeuvre) as it has when the annual budget is adopted. The Council must therefore be urged to confine its recourse to supplementary budgets to one or two rectifying budgets to be used only in emergencies and when estimates are revised.

This policy is all the more essential in that the Council is well able to ensure the necessary flexibility:

- there is a special chapter (Chapter 98) for 'provisional appropriations not allocated',
- it can make use of blocked appropriations subject to special authorization;
- it can use 'token entries';
- it can make use of the distinction between payment and commitment appropriations.

The Council uses these procedures when circumstances so require. All that is needed is to generalize the system.

17. Another abuse in respect of the supplementary budget procedure should be exposed: these supplementary budgets are sometimes presented (as was draft supplementary budget No 3 for 1975) at the very end of the time-limit laid down in the Financial Regulation, in other words just before the preliminary draft annual budget for the following financial year is submitted; on no account should a supplementary budget be presented at the same time as the annual budget for the following financial year.
18. Finally, it should not be forgotten that under the own resources system (i.e. resources derived partly from a Community VAT), it will become very difficult to create previously unforeseen supplementary resources during a financial year to finance supplementary budgets.

19. All expenditure shown in the budget should normally be effected within the year. Here, too, Community practice leaves much to be desired since each year a large percentage of appropriations is carried over to the next financial year. This phenomenon seems, however, to be less due to inflated estimates than to continual delays by the Member States in preparing files and forwarding them to the Commission, necessary before expenditure can be effected. In this area a thorough review should be carried out of the possibilities offered by the Financial Regulation of carrying forward appropriations

III. INTER-INSTITUTIONAL COLLABORATION

(a) closer collaboration

20. The very nature of the budgetary procedure makes the closest possible inter-institutional collaboration essential. The form of this collaboration was decided on in 1971 and has proved in general satisfactory. Since Article 203 came into force - and even more so in the future - it seems that the opportunities for a dialogue between the three institutions concerned should be increased; Article 203 lays down that there should be genuine agreement between Parliament and the Council on two specific points: classification of expenditure and the fixing of a new maximum rate. Such agreement presupposes, in practice, a whole series of preliminary informal contacts between representatives of the two institutions in the presence of the Commission.
21. It has thus become essential to deformalize the inter-institutional dialogue and make it a quasi-permanent feature of the budgetary procedure. The question also arises as to whether it would not be advisable to open the dialogue even before the beginning of the budgetary procedure, so that Parliament - or at least the committees responsible - could become fully acquainted with the intentions and motives of the Council and the Commission before considering the draft budget itself.
- #### (b) Adjustments to the budget timetable
22. The complexity of the budgetary procedure and the inter-institutional relations involved have also shown that there is a need to adjust the budget timetable laid down in Article 203, which appears to be far too 'tight', especially if account is taken of such contingencies as the fixing of a new rate. The main outline of the budget could, for instance, be forwarded to Parliament in June for general consideration before the summer recess. Parliament should, however, assess the advisability of such a change in the more general context of the necessary¹ modification of the budgetary procedure itself as explained above.

¹See the Commission's proposal of 19 March 1975 (PE 40.311/BUR) and the Committee on Budget's opinion of 22 May 1975.

23. Parliament should in particular ensure that any change in the budget timetable is accompanied by specific commitments on the part of the institutions to enable it to discuss a proper draft budget that complies with the basic principles enumerated.
24. This improvement should also go hand in hand with a more rational use of the time allocated to each institution and the development of a genuine inter-institutional budgetary dialogue. However, the nature of the budget as a set of estimates must not be called into question on the pretext of speeding up the budget timetable: more efficient use of Chapter 98 'provisional appropriations not allocated' would thus make recourse to supplementary budgets unnecessary. As part of the improvement, the Commission should undertake to meet the time limits laid down in the Financial Regulation for the annual closing of the accounts and all other time limits connected with the budgetary procedure.

PART TWO - BROAD LINES OF THE DRAFT BUDGET FOR 1976

I. APPLICATION OF THE BUDGETARY MACHINERY

25. At Parliament's request two meetings were held between representatives of Parliament, the Council and the Commission at the highest level before the beginning of the 1976 budgetary period¹ in an effort to reach a preliminary agreement on classification and on Parliament's margin for manoeuvre. These talks were useful because a gentleman's agreement was reached on the question of Parliament's margin for manoeuvre. The other problems, however, were left in abeyance and will have to be solved during the budgetary procedure. In the draft budget for 1976, however, the Council left scope for a practical solution, respecting the spirit of the Treaty.

(a) Parliament's margin for manoeuvre

26. At the meeting between Parliament and the Council on 22 September before the establishment of the draft budget², the parliamentary delegation insisted that Parliament's margin for manoeuvre should be guaranteed in all circumstances - even if the rate of increase of NCE arising from the draft budget already exceeded the maximum rate established by the Commission. At the end of the meeting the Council accepted this interpretation, stating that it had been agreed that, "as regards the establishment of the budget of the European Communities for the financial year 1976, Parliament would, whatever the circumstances, be allowed a margin for increasing non-compulsory expenditure to the equivalent of about one half the maximum rate of increase established by the Commission".

27. This agreement of principle is of major importance to Parliament.

The margin for manoeuvre is in fact the true symbol of Parliament's budgetary powers since it represents that Institution's only opportunity of freely increasing the appropriations entered in the draft budget without necessarily obtaining the Council's agreement.

¹ Meetings of 9 July and 15 September 1975 - see PE 42.130

² See PE 42.029

(b) Classification of expenditure

28. The classification proposed by the Commission is largely the same as that for the 1975 budget. All new actions, with the exception of 'cooperation with the Maghreb countries and Malta', are classified as NCE; Parliament has accepted this classification.

(c) Figures applicable to the 1976 budgetary procedure

29. The situation is as follows:

- maximum rate of increase of NCE (rate established) : 15.3%
- Parliament's margin for manoeuvre expressed as a percentage

$$\frac{15.3}{2} = 7.65\%$$

Taking account of the classification adopted by Parliament, this 7.65% corresponds to at least 78 m u.a.

30. Unless Parliament cuts the appropriations, the final rate of increase of NCE will probably be in excess of 15.3%; recourse to the procedure for fixing a new rate must be envisaged.

31. Parliament's margin in fact represents less than 1% of the appropriations entered in the draft budget. It is therefore highly desirable for a political agreement to be reached during the budgetary procedure so that the Treaties are applied pragmatically and in a spirit of mutual confidence, which will facilitate the adoption of the budget in the time limits set. Moreover, the Council has already made encouraging moves in this direction, by specifying 'a margin of increase in NCE to the equivalent of about one half of the maximum rate established'; this means that the future can be viewed with some equanimity.

It should, however, be added that Parliament's budgetary powers do not begin and end with its margin for manoeuvre. It also has the discretionary power to increase NCE, as long as it compensates for these increases by equivalent reductions under other headings; it has a sovereign right to cut back NCE; it may propose modifications to CE; it may reject the draft budget and so on.

II. THE BROAD LINES OF THE DRAFT BUDGET

32. As in previous years, Parliament's assessment of the broad lines of the budget must be made on the basis of the Commission's preliminary draft. In the light of this preliminary draft, the reasoning behind the broad lines of the draft budget for 1976, i.e. the modifications made by the Council, seems to be inadequately justified.

(a) Justification of budgetary choices

33. The explanatory statement accompanying the preliminary draft budget is particularly detailed and well-reasoned this year. It gives a fairly precise idea of the main choices made by the Commission in the major sectors of expenditure and clearly describes the budgetary choices and hence the policies to which the Commission intends to commit itself.

34. This does not apply to the explanatory statement of the draft budget which, because of its brevity and lack of precision, does not seem to meet the requirements laid down in Article 13 of the Financial Regulation¹.

This has in fact always been a shortcoming but it has now become unacceptable inasmuch as budgetary powers are at present shared between the Council and Parliament and the latter must be fully informed of the reasons for budgetary decisions taken by the Council. It is particularly unacceptable in view of the fact that, at the meeting of 22 September, the leader of the Parliamentary Delegation asked the Council to prepare an explanatory statement representing a true answer to the Commission's position as put forward in the preliminary draft on the one hand, and to the comments made by the Parliamentary Delegation at the meeting of 22 September on the other. From this point of view the brevity of the draft budget is a real obstacle to the development of the dialogue between Parliament and the Council which must be the main element in the procedure for adopting the budget.

(b) A deliberate choice: austerity

35. The Commission's preliminary draft reveals a manifest desire to make budgetary savings. The overall increase in appropriations is considerable since it represents an advance of almost 30% on the 1975 budget, but although this rise enables the Community effort to be continued (80% of the appropriations are devoted to this purpose) and existing actions to be further developed (20% of the appropriations), it only allows very small progress in the launching of new actions (1% of the appropriations).

36. The draft budget reveals a clear desire for austerity in that it provides for an overall increase in expenditure of only 19% as against 1975. Bearing in mind the probable mean rate of inflation in the Community in 1976 (in the order of 10%), the real increase in Community expenditure would in all likelihood not exceed 10%.

¹ Article 13 of the Financial Regulation stipulates in particular that:
'The draft budget shall be forwarded to the European Parliament and placed before it not later than 5 October. The Council shall attach to that draft budget an explanatory memorandum defining in particular:

- the relationship between the principal objectives of the Communities and the requests for appropriations;
- the changes in appropriations compared with the preceding financial year;
- the Council's reasons for departing, where necessary, from the preliminary draft budget'

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(b) A deliberate choice: austerity

35. The Commission's preliminary draft reveals a manifest desire to make budgetary savings. The overall increase in appropriations is considerable since it represents an advance of almost 20% on the 1975 budget, but although this rise enables the Community effort to be continued (80% of the appropriations are devoted to this purpose) and existing actions to be further developed (20% of the appropriations), it only allows very small progress in the launching of new actions (1% of the appropriations).

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37. Like the rate of increase itself, the way in which the Council justifies this 'policy of austerity' seems open to question:

- the situation in the Community in 1976 will require energetic measures to stimulate the economy and the national budgets will no doubt play a part when these measures are taken; why then should the Community budget alone remain stagnant?
- the Community budget can participate, to a greater extent than its national counterparts, in action to stimulate the economy as it is more than 80% operational, with very low administrative expenditure;
- in many areas, the Community budget allows not only a lightening of the national burden but also more rational use of public funds through the benefits of coordination;
- above all, the Community budget cannot be viewed primarily as an instrument of economic policy to prevent worsening inflation or a rise in the public debt¹; its principal purpose is to allow the development of Community action which is a prerequisite for the economic health of the Member States;
- moreover, with the system of own resources fully operational, it would be wrong to consider that Community revenue continues to be drawn from the national budgets: this revenue must on the contrary be seen as deriving directly from European economic activity, even in the temporary absence of own resources based on a Community VAT.

The budget is a policy instrument. It is the only real means of forecasting: the 1976 draft budget should reflect a resolve to take specific action next year. There is, however, no sign of such an overall intention and we are left rather with the impression of a sum of appropriations with no precise underlying strategy.

This draft appears to be more of a cashier's summary sheet than a forecasting instrument. From this angle, it is highly disappointing, as it should reflect political and economic choices.

38. Furthermore, the draft budget records the Council's intention to make, at a later stage in the budgetary procedure, such additional savings as may appear feasible before the second reading of the draft budget. This remark is surprising both in its laconic wording and in the deliberate desire which it reflects to make the greatest possible cuts in the overall total of the Community budget.

It also reflects a curious concept of budgetary procedure; once the draft budget is forwarded to Parliament it can - except in highly exceptional circumstances - only be modified by that Institution by procedures set out in the Treaties. The letter of amendment procedure is acceptable when it is used,

¹ In 1975, the Community budget represented less than 0.6% of the gross domestic product of the Member States.

before Parliament's first reading of the draft budget, to supplement or correct estimates. It is a much more questionable device when it is employed to alter a draft budget already considered by Parliament.

It seems then that on this point Parliament should be both vigilant and stringent, in order to avoid a belated and unjustified modification of the draft referred to it.

(c) Stagnation of new activities.

39. In the preliminary draft, the Commission provided for the financing of a number of new actions (to the modest total of 73.4 m u.a.). These actions related primarily to the research/energy/industry sector which is lagging notably behind the other common policies.

40. The Council retained practically none of these actions, mainly for the reason that, as it had not yet taken decisions on these matters, it did not wish to prejudge in any way the decisions which would be taken in due course. However, it used a variety of techniques: most frequently, deletion of the budget entry concerned, and also replacement of the appropriations by a token entry, entry of the appropriations (to a reduced amount) in Chapter 98, and entry under the frozen appropriations.

41. Thus the Council dramatically curtailed the innovative aspect of the 1976 budget to such an extent that it has been described as a 'cemetery in which the tombstones are token entries.' This attitude also bodes ill for the future as it represents a total negation of the forecasting aspect of the budget and paves the way for a quasi-systematic policy of supplementary budgets.

42. This year neither the preliminary draft nor the draft budget contain appropriations to meet the possible financial consequences of the annual decision on the review of agricultural prices; the two Institutions have therefore resigned themselves to making no forecasts in this sector and to introducing supplementary budgets whenever the need arises. This failure is regrettable and contrary to orthodox budget practice. Everyone knows that it is impossible to anticipate in the autumn decisions which will be taken in the following spring, but everyone also knows that agricultural prices will be reviewed. It is, therefore, impossible for a financial expert to understand why this problem has not been anticipated in the draft budget, even if a subsequent budget correction may be necessary.

III. MAJOR ITEMS OF EXPENDITURE

43. In the preliminary draft, the Commission points out that since enlargement, the size of the Community budget has scarcely changed in relation to the gross domestic product (0.6%) and the budgets of the Member States (2%). The Community budget, therefore, reflects a static situation in the Community's finances.

44. The Council's almost systematic refusal to finance new activities, motivated by its concern for austerity could in the long run prove to be self-defeating for if the Community acts too late in priority sectors it will merely aggravate the problems left pending and thereby render the search for appropriate solutions more costly.

In these circumstances it will be difficult to continue the construction of Europe.

(a) Total budget for 1976:

45. The following table puts the total amounts entered in the preliminary draft and draft budgets in perspective:

(in m u.a. - Commission budget only)

1975 budget appropriations +	% increase over 1974 expenditure	1976 pre- liminary draft budget appropri- ations	% increase over 1975 appropriations	1976 draft budget appropriations	% increase over 1975 appropriations
6.164	21.98	7.930	28.67	7.328	18.9

+ including supplementary budgets Nos.1, 2 and 3

The difference between the appropriations in the preliminary draft and draft budgets for 1976 is of the order of 600 m u.a. Since the reduction does not affect appropriations for the EAGGF, this means that all the other Community activities have been cut by some 24%.

The draft budget represents an increase of 18.9% over the 1975 budget. It should nevertheless be noted that while there is a substantial increase in agricultural expenditure (20.2%), the increase in other expenditure is less pronounced (15%). This is surprising in view of the professed desire to extend common policies to sectors other than agriculture.

(b) Revenue

46. More than five years after the decision to introduce the system of own resources the Council has not been able to bring into operation the Community VAT mechanism, which should have come into force on 1 January 1975, and which was to have allowed the Community budget to be financed entirely from its own resources as from that date. At the June 1975 part-session Parliament protested against this dilatoriness on the part of the Council and asked for a decision to be taken by 1 January 1977.¹ Since then no progress has been made in this area. It is essential that Parliament should again take up this point very firmly with the Council.

47. The situation is all the more serious since, because of the reduction in revenue from customs duties and levies on the one hand, and the increase in the Community budget on the other, the percentage of resources that will have to come from VAT is rising, as shown by the following table:

(as % of total resources)

Own resources

	Customs duties levies sugar levy	VAT (replacement system based on GNP)
1976 (draft budget)	57	42
1975 (actual)	61	38
1974 (actual)	61	38

48. According to the decision of 21 April 1970 establishing the system provisionally replacing Member States' financial contributions by contributions proportional to GNP, these should be treated as own resources. However, neither the Institutions² nor the Member States are by any means clear as to this obligation. The latter tend to equate the 'VAT financial contributions' with the old national contributions based on fixed ratios.

¹ See resolution of 20 June 1975 (OJ No. C 157, p.86)

² In both the preliminary and draft budgets, the tables relating to resources make false distinction between 'own resources' and 'contributions'. Moreover, under the terms of Article 4 of the decision of 21 April 1970, reference should now be made to a contribution from Member States and not to 'contributions' in the plural.

This confusion is serious since the Member States - who accept the transfer of customs duties revenue to the Community budget as natural - wrongly consider that 'VAT financial contributions' are levied on the national budgets and, therefore, constitute a drain of their public funds.

49. In the preliminary draft budget, the Commission includes an entry (Article 944) for proceeds from Euratom loans, but it has not made any entry for Community loans. The Council has not assigned any entry in the budget to these operations. Parliament recently considered¹ that all loans made by the Community should be recorded in the budget - in a form still to be determined - under both revenue and expenditure. This question remains in abeyance and might if necessary be the subject of a conciliation procedure between the Council and Parliament. What is important is for the principle on which loans are issued to be adopted jointly by the Council and Parliament, giving to the Commission the power to act according to needs and to the possibilities of the money market. More frequent recourse to loans as a means of financing Community activities is to be welcomed, always provided that these operations are budgetized in such a way as to allow effective authorization and control by Parliament.

Finally, it would seem that by a letter of amendment to the draft budget, the Council is introducing a new variant to the budget presentation of lending and borrowing operations: in the case of the programme of aid to Portugal, the Council has decided to make several specific budget entries relating to that operation. While the budgetization of the interest subsidies and guarantees on the loans to Portugal is to be welcomed, one cannot help noting a certain haphazardness in the budget presentation of the Community's financial operations, and stressing that different standards are being used for different kinds of operations; accordingly, as brought out in the abovementioned resolution, the institutions must agree on a far-reaching rationalization of presentation, while respecting their individual prerogatives.

(c) Expenditure

50. The following table groups trends in Community appropriations under three broad headings (as % of total appropriations (Commission)):

	1976 budget +	1976 preliminary draft budget	1976 draft budget
Agricultural sector	72.9	68.2	73.6
Other intervention appropriations	14.5	20.3	14.2
Operating appropriations	4.8	4.5	4.7

+ including supplementary budgets Nos. 1,2 and 3.

¹ See resolution of 19 June 1975 (OJ No.C 157, p.35) - Opinion of the Committee on Budgets submitted in connection with the report by Mr LAGORCE (Doc. 79/75/rev.)

51. By comparison with the 1975 budget, the 1976 preliminary draft reveals a concern to restore balance in Community expenditure: the share of non-agricultural intervention appropriations has been increased by almost 6%.

In the draft budget, on the contrary, the Council has not only restored but accentuated the imbalance arising from the huge volume of the agricultural appropriations, which account for 73.6% of the Commission's budget. Non-agricultural intervention appropriations are reduced to 14.2%, a level below that of 1975. This reduction results from a cut-back in appropriations for existing projects and the deletion of almost all appropriations for new projects. It should, however, be noted that the balance between agricultural expenditure and other intervention appropriations will probably change again during the financial year, in particular as a result of the budgetary implications of the agricultural price review.

52. The 14.2% for financing non-agricultural interventions breaks down as follows:

<u>Sector</u>	1975 budget ⁺	1976 preliminary draft budget	1976 draft budget
Social	5.99	6.41	5.53
regional	2.39	5.58	4.02
research , technology, industry, energy	2.07	3.10	1.82
development cooperation	4.04	5.20	2.83
Total	14.52	20.29	14.20

+ including supplementary budgets Nos. 1, 2 and 3.

53. With the exception of the Regional Fund, which started with the 1975 budget, the share of all other sectors in the 1976 budget is declining. This is particularly apparent and serious for the development cooperation sector, the share of which falls from 4.04% in the 1975 budget to 2.83% in the 1976 draft.

PART THREE : EXAMINATION OF THE PRINCIPAL SECTORS OF ACTIVITY

54. The impression of stagnation and imbalance mentioned earlier on is confirmed if one examines the 1976 draft budget in somewhat greater detail. The draft seems in fact to be a kind of instant photograph of the Community's situation in the autumn of 1975, and in no way reflects a programme of voluntarist action based on a precise line of policy.

55. The Commission's efforts to restore a balance by promoting non-agricultural activities have been completely negated by the Council, whose draft budget amounts to no more than a sum of totally unrelated sectoral actions. It is as if the Council of Secretaries of State for the Budget - responsible for drawing up the Community budget - were content merely to add up the expenditure arising from the decisions already taken by their colleagues meeting in the other Councils, without any attempt to give the budget a degree of homogeneity, without making the least effort to draw up proper estimates, and without giving a thought to the political coherence of their decisions.

56. The aggravation of the imbalance towards agricultural expenditure is particularly unfortunate. At the same time, it would be unfair to blame the common agricultural policy simply because it is there, at a time when the greatest difficulties are being encountered in developing other policies, or indeed getting them off the ground.

I. OPERATING EXPENDITURE

57. The total appropriations under this heading amount to approximately 350m u.a., or less than 4.5% of the total appropriations under the general budget of the Communities.

The breakdown of these appropriations is as follows:

Operating appropriations (in m u.a.)

	1975 budget ⁺	1976 preliminary draft budget	1976 draft budget
Staff	204	249.7	241.7
Administration	64.1	80.5	78.1
Information	6.3	6.8	6.3
Aids/subsidies	16.8	22.9	22.3

+ including supplementary budgets nos. 1, 2 and 3

(a) Staff

58. Appropriations for staff represent by far the largest part of the operating appropriations and account for about 3.2% of the total appropriations under the budget.

The cuts in appropriations introduced in the draft budget are basically connected with the method of calculating salaries and with the staffing for 1976.

59. As regards staff, the Commission had requested the creation of 333 posts, as well as the conversion of a certain number of posts. The Council has accepted only 134 new posts and only part of the conversions requested.

60. It does appear, however, that the Commission should be given a certain latitude to carry through a staffing policy for which it alone is responsible. The rapporteur, therefore, proposes that part of the staff posts struck out by the Council (see table on following page) should be reinstated, although the total should remain well below the figures requested by the Commission. A total of 9 category A posts, 5 category B posts and 53 category C posts are involved. Moreover, the rapporteur proposes that part of the appropriations required for the conversion of posts be reinstated. The purpose behind these proposals is to give the Commission the funds required to implement the Council's decisions in certain new areas of activity and to allow careers within the Commission to follow a normal course.

(b) Operating expenditure

61. Concern for austerity has led the Council to introduce a number of cuts in appropriations.

The Council has also deleted a budgetary entry for building loans to Community officials (Article 145, 2m u.a.) The rapporteur feels that this appropriation should be retained in order to meet within a reasonable period of time at least some of the many applications outstanding.

CREATION OF POSTS

1976 Budget (Commission)

Reason for request	(1) Requested by Commission	(2) Draft budget	(3) Prelim. draft amendments proposed by rapporteur	1- (2)+(3) Difference
Structural deficiency	40 B 120 C 15 D 175	5 B 15 C - 20	+5 B +50 C	- 30 B - 55 C - 15 D -100
Specific requirements	24 A	5 A	+ 7 A	- 12 A
- regional policy	14 B	6 B	-	- 8 B
- EAGGF control	8 C	5 C	-	- 3 C
- External relations	17 D 63	8 D 24	-	- 9 D - 32
DG VIII (Development aid)	25 A 11 B 18 C 54	20 A 10 B 12 C 42	+ 2 A + 3 C	- 5 A - 1 B - 6 C - 12

(c) Information, miscellaneous aids and subsidies

62. The total appropriations under this heading are very small (less than 0.4% of the total). The Council has made a reduction of the order of 0.6m u.a. However, information activities and subsidies should not suffer excessively as a result of the need for austerity measures. Such expenditure is in fact highly 'productive', in the sense that, it is necessary to bring the Community's achievements and action programmes to the attention of the public.

II. INTERVENTION EXPENDITURE

(a) Agricultural sector

Appropriations for the agricultural sector (in m u.a.)

	Budget 1973 ⁺	1976 prelim. draft budget	1976 draft budget
Specific expenditure	2,3	7.9	5.2
EAGGF, Guarantee	4.240	5.160	5.160
EAGGF, Guidance	325	325	325

+ including supplementary budgets nos. 1, 2 and 3

63. The Council has left unchanged the appropriations earmarked by the Commission for the two sections of the EAGGF. It has, however, cut from 7.9 to 5.2m u.a. the appropriations for certain specific agricultural expenditure.

Agricultural expenditure accounts for 73.63% of all appropriations in the draft budget, as against 68.16% in the 1976 preliminary draft, and 72.92% in the 1975 budget.

64. Two important comments need to be made on the EAGGF appropriations:

- it is a pity that the appropriations for (and actual expenditure on) the Guidance Section of the EAGGF are so low since in the long run only a structural policy can bring down the cost of operating the Common Agricultural Policy. It is, therefore, annoying to find Guidance expenditure accounting for a diminishing percentage of total agricultural expenditure each year;

- the appropriations earmarked for the Guarantee Section make a rather unreal impression, not only because of the difficulty of drawing up estimates in this area, but also because no provision has been made for the price revision. It would seem reasonable, however, to have made a token entry, for example under Chapter 98. It should be recalled that the Council has the last word in regard to budgetary measures affecting agricultural expenditure and that it alone bears the responsibility for decisions in this area.

(b) Social sector

Appropriations for the social sector (in m u.a.)

	Budget 1975 ⁺	1976 prelim. draft budget	1976 draft budget
Specific expenditure	9.3	15.4	11.6
Social Fund			
- Art. 500	110	220	150
- Art. 510	245	280	250
- studies	0.9	1.2	1
Old Social Fund	10.2	Token entry	Token entry
Total	375.4	516.6	412.6
As percentage of total appropriations	5.99%	6.41%	5.53%

+ including supplementary budgets nos.1, 2 and 3

65. The Council has cut the appropriations entered in the preliminary draft budget by 104m u.a.

As a result, the appropriations earmarked for the social sector show an increase of only 12.7% in relation to the 1975 financial year. Bearing in mind the probable rate of inflation, this amounts in fact to stagnation of the Community's efforts in this field.

As regards the Social Fund, the Council's total cut-back amounts to 100m u.a. The brunt of this reduction is borne by Article 500 (expenditure under Article 4), where the appropriation drops from 220 to 150m u.a. The appropriation under Article 510 (expenditure under Article 5) comes down from 280 to 250m u.a.

The Council has also cut the appropriations earmarked by the Commission for specific expenditure of a social nature, from 15.4 to 11.6m u.a.

66. The Council's position on this category of expenditure is difficult to understand, especially as it offers no real justification in its explanatory memorandum to the draft budget.

It is a fact that social sector expenditure this year is particularly urgent, and in some cases quite simply a matter of humanitarian need, which

Parliament cannot ignore.

67. The question does arise of effective utilization of the appropriations entered under the Social Fund, but the explanations given by the Commission in this connection¹ appear to warrant reinstatement of the appropriations earmarked under the preliminary draft.

68. The third report on the activity of the Social Fund in 1974 contains the following table:

	1973			1974			1975		
<u>Applications</u>	Art.4	Art. 5	Total	Art.4	Art.5	Total	Art.4	Art.5	Total
	28.1	235.7	263.8	53.6	354.8	408.4	(partial data, see comments)		
<u>Available resources</u>	76.3	158.0	234.3	98.8	209.1	307.9	110.0	245.0	355.0

The report states that, particularly in the case of expenditure under Article 5, there was an enormous gap between applications and available resources in 1974, and that a high degree of selectivity had to be applied in choosing projects.

It appears, therefore, that the reductions introduced by the Council are scarcely justified and that, especially as regards unemployment among young people, a sector cited by the Council itself, an appreciable increase in the funds made available seems to be indispensable.

69. Lastly, from the formal standpoint it is desirable to change the presentation of commitment and payment appropriations to make it easier to assess the situation and to bring the system into line with that used for the Regional Fund.

(c) Regional sector

Appropriations for the regional sector (in m u.a.)

	1975 budget ⁺	1976 prelim. draft budget	1976 draft budget
Commitments	300	500	500
Payments	150	450	300

+ including supplementary budgets nos. 1, 2 and 3.

¹See answer to Question No. 63 of Parliament's questionnaire.

70. The Council has stood by the undertakings given at the Paris Summit as regards commitment appropriations; it reduced the payment appropriations proposed by the Commission by 150m u.a.¹.

In the light of the first few months' experience of the operation of the Regional Fund it appears that the Commission will be able in 1976 actually to pay out a sum equivalent to appropriations of 300m u.a.; it is not, however, certain whether or not it will have to pay out a higher sum. Nevertheless, in the light of this possibility, and in order to avoid the need for a supplementary budget, it would be useful to reinstate under Chapter 98 a sum equivalent to at least half of the difference between the Commission's estimate and that of the Council.

(d) Research, technology, industry, energy sector

(Appropriations in m u.a.)

1975 budget ⁺	% in relation to total budget	1976 prelim. draft budget	% in relation to total budget	1976 draft budget	% in relation to total budget
130.8	2.07	248.9	3.10	135.6	1.82

+ including supplementary budgets nos. 1, 2 and 3.

71. These appropriations concern several sectors vital to the integration of the Community. They have been subjected to vicious cuts by the Council, which have practically halved the appropriations requested by the Commission and reduced to 1.82% the proportion represented by these appropriations in the total budget of the Community. Basically, the Council justifies its position on the grounds that it has not yet taken a decision on the matters in question.

72. In anticipating the Council's decisions the Commission appears merely to have discharged its duty, and it should, therefore, receive all possible assistance from Parliament in this connection. However, it ought to be borne in mind that some of these appropriations will probably be mobilized in the course of the 1976 financial year through supplementary budgets; that

¹The differences of view on the payment appropriations required for the Regional Fund seem to lend support to those who maintain that these appropriations fall into the non-compulsory category.

much at least is clear from the Council's statements.

This point applies particularly to the research appropriations.

73. The question therefore arises whether Parliament should take the initiative of reinstating the appropriations struck out by the Council. In doing so it would merely be anticipating the Council's decisions and avoiding the need to resort to supplementary budgets. Moreover, the fact of reinstating a budgetary entry and endowing it with appropriations is not enough to make a policy operational; until the Council has taken a decision, no action can be launched.

(e) Development cooperation sector

Appropriations for the development aid sector (in m u.a.)

	1975 budget ⁺	1976 prelim. draft budget	1976 draft budget
Aid to non-associated developing countries	-	105	-
Maghreb cooperation	-	10	-
Food aid	166	294	206
Specific actions	86 ^x	9.8	4.6
Total	252	419	211
% of total appropriations	4%	5.2%	2.8%

+ including supplementary budgets nos. 1, 2 and 3

x including UN emergency fund.

74. The draft budget shows a reduction in the appropriations earmarked for this sector compared with 1975. The sum proposed by the Commission had in fact been cut back by more than 200m u.a. (from 419 to 211). The cut-backs are explained mainly by the disappearance of the appropriations earmarked for aid to non-associated developing countries (105m u.a.) and the appropriations for cooperation with the Maghreb (10m u.a.) as well as the considerable cut-back (from 294 to 206 m u.a.) in the appropriations for food aid.

75. As regards the non-associated developing countries it appears that the Council has not yet formally decided on the principle of specific aid. It could be, however, that it has in mind to pass any aid intended for these countries through the EDF, in which case the appropriations would be de-budgetized and no longer subject to Parliament's authorization. With regard to food aid, the Council simply wants the 1975 aid programme to be continued at the existing level. In view of the immense food needs of some of these countries and the size of the Community's stocks of some agricultural products, this attitude seems shocking, since it amounts, for example, to refusing milk powder to the starving, and instead getting rid of it by giving it to animals.

Here again, it is up to Parliament to restore a more proper vision of Community priorities by allowing Europe to play its full part in development aid.

PART FOUR: OUTCOME OF THE DISCUSSIONS IN THE COMMITTEE ON BUDGETS
ON DRAFT AMENDMENTS AND PROPOSED MODIFICATIONS

76. The Committee on Budgets considered the draft amendments and proposed modifications at its meeting of 30 and 31 October 1975, which was resumed on 4 and 5 November 1975.

The results of its discussions are summarized below.

The voting order followed was that of the budgetary nomenclature. This was applied both to proposals handed in to the sessions office, on which the Committee on Budgets is required to deliver an opinion under Rule 23A(4) of the Rules of Procedure, and to proposals made during the committee's meeting.

BUDGETARY NOMENCLATURE			DA ¹	PM ²	Author	DISCUSSIONS IN THE COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Amount				Favourable	Un favourable	Remarks
Staff		+ 740,000	4		Mr COINTAT and others		X	+ 5 B posts, + 50 C posts, to meet <u>structural shortages</u> 7 votes for, 11 against and 5 abstentions. This draft amendment is justified in particular in the light of the present distribution of staff in the various categories.
Staff		+ 131,000	3		Mr COINTAT and others	X		+ 1 A 5-4; + 1 A 7-6; + 3 C 3-2 <u>(Lomé Convention)</u> 16 for, 2 against and 4 abstentions. The committee adopted this proposal but pointed out that the expenditure involved is 50,000 u.a., not 131,000 u.a.
Staff		+ 110,000	2		Mr COINTAT and others	X		+ 1 A2; + 2 A3; + 2 A4; + 2 A5 <u>(EAGGF-ERDF)</u> 17 votes for, 2 against and 3 abstentions. The committee decided to table its own amendment on this point, since its positive opinion was to be qualified by a freezing procedure in which Parliament is to be involved in the unfreezing of the appropriations.
Staff		+ 250,000	1		Mr COINTAT and others		X	+ 23 A4, - 23 A5, + 31 B1, - 6 B2, - 25 B3, + 5 B4, - 5 B5, + 119 C1, - 66 C2, - 53 C3, + 6 C4, - 6 C5, + 15 D1, - 15 D2. <u>Conversion of posts for promotions</u> , Whilst recognizing the need to construct a genuine policy of career advancement, the committee felt it necessary to await the Commission's overall proposal. It therefore instructed its rapporteur to affirm this principle in the resolution.

¹ Draft amendment

² Proposed modification

BUDGETARY NOMENCLATURE			DA	PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Amount				Favour- able	Un- favour- able	Remarks
Staff					rapporteur	X		+ 2 posts (1 A7 and 1 A5) for the Staff Committee. 17 for, and 4 abstentions. This request had already been submitted in 1975. It reflects a situation existing already in Parliament.
TITLE 1 - EXPENDITURE RELATING TO PERSONS WORKING WITH THE INSTITUTION								
145	Building loans	+ 2 m u.a.	5		Mr COINTAT and others	X		20 for, and 2 abstentions. The committee decided to adopt this proposal and to table a draft amendment taking account also of the revenue arising from these loans.
TITLE 2 - BUILDINGS, EQUIPMENT AND MISCELLANEOUS ADMINISTRATIVE EXPENDITURE								
222 (2221)	Publications Office	+ 150,000 compensated by Chapter 98			rapporteur	X		The committee adopted this proposal which represents merely a correction and in fact corresponds to a transfer of appropriations.
254	Campaign for young people	+ 190,000 (compensat. 100,000 u.a. from Art.980)	26		Comm. Cult. Aff.	X		12 votes for, 9 against and 3 abstentions.
256	Expenditure on pre-consult. meetings of trade unions	+ 200,000	43		Mr ADAMS		X	The committee recognized the merits of this draft amendment but decided to table a DA providing for the entry of only 100,000 u.a. This decision of principle was taken by 13 votes in favour, 4 against and 1 abstention. The decision on the amount was taken by 10 votes for and 9 against.

BUDGETARY NOMENCLATURE			DA	PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Amount				Favourable	Unfavourable	Remarks
TITLE 3 - EXPENDITURE ON SPECIFIC PROJECTS UNDERTAKEN BY THE INSTITUTION								
304	Independent movements	+ 95,000	19		Mr BERTRAND	X		11 votes for and 9 against
3052	Housing conditions of migrant workers	t.e.	20		Mr BERTRAND	X		unanimous (17 votes for) The post to be created becomes 3052 and post 3052 in draft budget becomes 3053. As a result of this change the committee will table its own DA.
307	Participation of both sides of industry	+ 500,000	21		Mr BERTRAND		X	8 votes against, 7 for and 4 abstentions. The committee noted that the European Trade Union Institute had not yet been created and felt that the principle of the creation of this Institute ought to be re-considered.
3110	Health measures for fresh meat	+ 3,000	40		Mr FREHSEE and others		X	5 votes against, 3 for and 5 abstentions.
3112	Vet. inspection in non-member countries	+ 7,000	41		Mr FREHSEE and others	X		13 votes for and 1 against.
3141	Research programmes (agric.)	+ 115,000	42		Mr FREHSEE and others		X	unanimous. The opinion was unfavourable since the reduction of 115,000 u.a. mentioned in the justification does in fact appear in the draft budget.
3220	Hydrocarbons	+ 10 m u.a. payment + 50 m u.a. commitment	47		Comm. Energy	X		13 for and 3 abstentions. This favourable opinion was given after the committee had voted (11 votes for, 3 against and 2 abstentions) for the introduction, under Articles 322 and 323, of the concept of commitment and payment appropriations, and had consequently decided to table a DA in this connection.

BUDGETARY NOMECLATURE			DA	PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Amount				Favourable	Un favourable	Remarks
3221	Hydrocarbons	+ 1 m u.a. payment + 50 m u.a. commitment	44		Comm. Energy	X		14 votes for and 1 abstention.
323 new	Euranium prospecting	+ 1 m u.a. payment + 5 m u.a. commitment	46		Comm. Energy	X		14 votes for and 1 abstention for the insertion of a new Article 323.
329 new	Euratom loans	t.e.	45		Comm. Energy	NO VOTE TAKEN		This DA covers the same subject matter as DA No.6 , the justification of which presents a clearer argument for the budgetization of loans.
330	Indirect actions	+ 57,457,589 payment +230,533,529 commitment	50		Comm. Energy		X	12 votes against and 4 for (justification: see next DA)
330	Indirect actions	+ 40 m u.a. in payment, partially compensated (8,454,075) by appropriations from Title 8	PDA 42.266/65		Chairman	X		Unanimous (11 votes). In rejecting DA 50 the committee decided to adopt its chairman's proposal that the justifiability of appropriations for indirect actions be accepted in principle. The figure to be entered by way of payment appropriations (40 m u.a.) is nevertheless below that proposed by the Comm. on Energy. It is to be allocated proportionately to the actions under Chapters 3.20 to 3.52. The commitment appropriations remain unchanged in relation to the draft budget. the Comm. on Budgets considers that these appropriations, on which decisions may be taken at an early date by the Council, should, if necessary, be entered by the latter and on its own account, in the form of a letter of amendment.

BUDGETARY NOMENCLATURE				DISCUSSION IN THE COMMITTEE ON BUDGETS				
Chapter Article or Item	Heading	Amount	DA	PM	Author	Favour- able	Un- favour- able	Remarks
330	Research/invest- ment expenditure	+ 1,300,000	48		Comm. Energy			14 votes for and 1 abstention. However, the Council should have entered these appropri- ations, which relate to part of staff salaries.
330	Research/invest- ment expenditure	+ 1,464,103 payment - 4,532,800 commitments	49		Comm. Energy	X		14 votes for and 2 abstentions.
3.31.0	Biology	+12,313,728	16		Mr FRENSEE Comm. Agric.		X	11 votes against and 2 abstentions.
350	Radiation protection	+ 20,000	10		Mr MÜLLER Comm. Publ. Health		X	12 votes against, 3 for and 1 abstention. The increase in appropriations over 1975 appears to be adequate.
351	Health protec- tion - air/ water	+ 20,000	11		Mr MÜLLER Comm. Publ. Health		X	13 votes against, 2 for and 2 abstentions.
352	Safety at place of work	+ 200,000	12		Mr MÜLLER Comm. Publ.H.		X	10 votes against, 10 votes for and 1 absten- tion.
353	Medicine and public health research	+ 120,000	13		Mr MULLER Comm. Publ. Health		X	15 votes against and 2 for. These appropriations are entered in part under Article 391.
356	Humanizing work	+ 1,000	14		Mr MULLER Comm. Publ.H.		X	Replaced by the following DA.
356	Humanizing work	+ 1 u.a.	PEP		Comm. Budgets	X		The Committee on Budgets, which was favourable to the principle of adopting DA No. 14, nevertheless felt bound to table one in its own name providing for a purely symbolic amount, namely 1 u.a. This decision was taken by 13 votes for and 5 abstentions.

Chapter Article or Item	BUDGETARY NOMENCLATURE		DA PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
	Heading	Amount			Favour- able	Un- favour- able	Remarks
392	Educational measures	+ 800,000	27	Mr SUCK Comm. Cult. Aff.	X		Accepted as regards the figure, but forms the subject of the following draft amendment.
392	Educational measures	+ 800,000 Frozen	PDA	Comm. Budgets	X		After rejecting by 11 votes to 9 a proposal for the entry of 800,000 u.a. under Chapter 98, the committee decided to table a DA freezing this amount under Art. 392. A procedure, involving Parliament, is proposed for the release of the appropriations. This decision was taken by 13 votes for, 4 votes against and 5 abstentions.
392	Educational measures	+ 1,000	15	Mr MULLER Comm. Publ. Health	Not voted on		In the light of the above discussion.
393	Cultural projects	t.e.	29	Mr SUCK Comm. Cult. Aff.	X		Accepted in principle, but converted into the next amendment.
393 new	Cultural projects	t.e.	PDA	Comm. Budgets	X		By this amendment the committee wished to adopt DA No. 29 from the Comm. on Cult. Aff., though subject to the stipulation that finance was being provided solely for cultural preparation for European Union. The decision was taken by 16 votes for, 2 against and 1 abstention.
402	Subsidies to bee-keepers	+ 2.5 m u.a.	PDA 42.360	Mr AIGNER	X		16 votes for and 1 against. The committee decided to table this DA in its own name.
410	Subsidies to institutions of higher education	+ 38,000 (compens.)	30	Mr VANDE- WIELE	X		16 votes for and 1 abstention.

Chapter Article or Item	BUDGETARY NOMECLATURE		DA	PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
	Heading	Amount				Favour- able	Un- favour- able	Remarks
410	Subsidies to institutions of higher education	+ 10,000	28		Mr SUCK Comm. Cult. Aff.		X	14 for and 8 abstentions. The committee preferred DA No. 30 as regards both the amount to be reinstated and the clarity of the justification.
48 new	Loans: Balance of payments	t.e.	7		Mr COINTAT and others	X		Unanimous (17 votes).
TITLE 5 - FUNDS								
50 and 51	Social Fund				rapporteur	X		13 votes for, 3 against and 1 abstention. The committee adopted the rapporteur's proposal of introducing under Chapters 50 and 51, relating to the Social Fund, the concept and the heading 'Commitment appropriations'.
50 to 54	Social Fund				rapporteur	X		The committee adopted unanimously (16 votes) the rapporteur's proposal that the budgetary nomenclature for the chapters relating to the <u>new</u> and <u>old</u> Social Fund be clarified.
500	Social Fund expenditure		9		Mr COINTAT and others	X		unanimously (16 votes for). Article 500 is to be replaced by 5 new articles: 500, 501, 502, 503 and 504.
500	Art. 4 decision on ESF reform	+ 70 m u.a.	17, 31		Mr BERTRAND ⁺ EDP		X	11 votes against and 2 for. The committee decided to adopt the next proposal.

⁺ Social Affairs Committee

Chapter Article or Item	BUDGETARY NOMENCLATURE		DA	PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
	Heading	Amount				Favour- able	Un- favour- able	Remarks
500	Social Fund (Art. 4)	+ 40 m u.a.			Comm. Budgets	X		11 votes for and 2 against. The committee decided : - to increase the payment appropriations from 150 to 190 m u.a.; - to allocate the increase of 40 m u.a. between 4 DA's to Art.500-503 as per the distribution proposed by the Commission in the explanatory statement of preliminary draft budget; - to cut by one half the Commission's proposals for Art. 504.
500	Social Fund (Art. 4)		38		EPD		X	11 votes for and 2 against. The committee decided to put forward DAs covering in the form of commitment appropriations: (a) those provided for in the remarks to the draft budget (60 m u.a. and 30 m u.a. for 77 and 78); (b) the additional difference of 30 m u.a. proposed in the preliminary draft budget and, of course, the 190 m u.a. earmarked as payment appropriations. The total amount of commitment appropriations is thus 310 m u.a. The effective increase of 30 m u.a. is to be allocated to Articles 500 to 503; the whole of these appropriations under Articles 500 to 504.

BUDGETARY NOMENCLATURE			DA	PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Amount				Favour- able	Un- favour- able	Remarks
510 511 512 513 new	Social Fund		8		Mr COINTAT and others		X	Unanimous. The committee decided to replace this DA by the next one.
510	Social Fund				rapporteur	X		Replace Article 510 by 2 Articles 510 and 511.
510	Social Fund (Art. 5)	+ 30 m u.a.	18 32		Mr BERTRAND Comm. Soc. Aff. EPD	X		11 votes for and 2 against (the latter in favour of a proposal that these appropriations be increased by 70 m u.a.). It was understood that the increase refers to payment appropriations. The sum in the budget is thus 280 m u.a.
510	Social Fund (Art. 5)	commitment approp. + 10 m u.a. for 1977 + 5 m u.a. for 1978	33		EPD	X		11 votes for and 4 abstentions. The committee decided, however, to group all the commitment appropriations (430 m u.a.) in one column of the draft budget and to show them under two articles, namely 510 and 511.
550 980	Regional Fund	+ 150 m u.a. + 75 m u.a.	37 25		EPD Comm. Reg. Policy		X	7 votes against and 5 for. The committee decided to table a DA providing for 150 m u.a. to be entered under Article 980.

TITLES 6 and 7 - EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND: GUARANTEE SECTION

The committee held a lengthy and thorough debate on four standpoints and proposals of a political nature and a technical position put forward by the Committee on Agriculture.

Political standpoints and proposals:

- (a) - reduction of appropriations in the draft general budget for 1976 to the level of appropriations for 1975 and investigation as to whether the increases in appropriations proposed by the Council can be entered fully or partly in a single sum in Chapter 98
- (b) - linear reduction of 15% in the appropriations for the Guarantee Section and entry of this amount under Chapter 98 with a view (a) to making possible savings and (b) to permitting greater transparency in transfer operations which, since they must be made from Chapter 98, will call for the consultation of Parliament.
- (c) - token symbolic reduction of 1 u.a. (notably for cereals and skimmed milk) to demonstrate an overall willingness to reduce expenditure in an area where it would be difficult to give exact figures.
- (d) - retention of the appropriations provided for in the preliminary draft and draft budgets for the following reasons:
 - these are compulsory items of expenditure in respect of which Parliament has no power of amendment but instead the power of modification which, in the last instance, does not permit it to determine the amount of this expenditure;
 - because of the agreement between the Commission and Council on these appropriations any reduction decided on unilaterally by Parliament might be interpreted as a gesture of defiance towards farmers;
 - the EAGGF budget is artificial: it takes account neither of the 1975 harvests nor of the price reviews likely at the beginning of 1976. Any modification would therefore be even more artificial and, if reductions were made, might even induce the Council to go against Parliament's opinion and develop its policy of supplementary budgets.
- (e) - technical position of the Committee on Agriculture aimed at (PM's 3, 4, 5 and 1) adjusting the appropriations on the basis of requirements and the only known factors and resulting in an overall increase of 7 m u.a. and a transfer of 45.3 m u.a. from the Guidance Section to the Guarantee Section for re-stocking premiums.

The committee adopted the proposal under (d) by 12 votes to 5 and therefore proposed that no modification be made to the appropriations of the Guarantee Section.

BUDGETARY NOMENCLATURE			DA	PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Amount				Favour- able	Un- favour- able	Remarks
TITLE 8 - EAGGF - GUIDANCE SECTION								
8311	Building up livestock herds	+ 45.3 mu.a.		2	Comm. Agric.	Not voted on		In view of the decision taken on the EAGGF, Guarantee Section.
900 and 901	Cooperation with non-assoc. developing countries	t.e.	39		EPD	X		The committee was unanimously in favour of the principle of reinstating a chapter that did not appear in the draft budget, with a breakdown under two articles.
900	Financial co- operation with non-assoc. developing countries	+ 40 m u.a.	22		Comm. Dev.	X		15 votes in favour and 1 abstention.
901	Trade with non- assoc. dev. countries	+ 3.5 m u.a.	23		Comm. Dev.	X		Unanimous (15 votes).
910	Cooperation Maghreb and Malta	t.e.		11	EPD	X		13 votes for and 1 abstention.
9201	1976 food aid: cereals	+ 48.050 m u.a.		6	Comm. Dev.	X		Unanimous (15 votes). The committee expressed its disappointment with the amount earmarked by the Council, which would not have allowed any increase in 1976 over the aid programme for the current year.

BUDGETARY NOMENCLATURE			DA	PM	Author	DISCUSSION IN THE COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Amount				Favour- able	Un- favour- able	Remarks
9211	1976 skimmed milk powder	+ 50 m u.a.		10	EPD	X		14 votes for and 1 abstention.
9211	1976 skimmed milk powder	+17.210 m u.a.		7	Comm. Dev.			The result of the vote on the previous PM automatically implies rejection of this one.
9221	1976 sugar food aid	+1.490 m u.a.		8	Comm. Dev.	X		12 votes for, 2 against and 1 abstention.
923	Food aid: other commod.	+ 20 m u.a.		9	Comm. Dev.	X		Unanimous (15 votes).
938	New article Coop. dev. countries by non-govt. org.	+ 2.5 m u.a.	24		Comm. Dev.	X		12 votes for and 3 abstentions.
981	Provisional appropriations frozen for EAGGF guarantee	t.e.			rapporteur	X		12 votes for, 1 against and 1 abstention. The Committee feels it desirable to provide an article specifically for the budgetary implications of the price review, showing a token entry.

PART FIVE : EXAMINATION OF THE TRIENNIAL FINANCIAL FORECASTS

77. For the first time the Commission has annexed to the preliminary draft budget a document setting out the triennial financial forecasts for the period 1976/78. This analysis marks a response to the Council's decision of 21 April 1970 requesting the Commission to place the Community's budget within the framework of multiannual forecasts. It should be noted that the figures include the 1976 financial year (as given in the preliminary draft) and that the forecasts proper relate only to the years 1977 and 1978.

All in all, the Commission predicts an increase in appropriations from 6,264 m u.a. in 1975 to about 8,800 m u.a. in 1978, a rise of 40.5%.

Agricultural sector

78. The Commission forecasts that EAGGF-Guarantee expenditure will show a moderate rise in 1977, followed by a fall in 1978. This forecast is explained in terms of a variety of factors, some of them producing an upward trend (in particular in the dairy products and cereals sectors) and others a downward one (meat, oils and fats, wine).

EAGGF, Guarantee Section, expenditure
(grand total of expenditure)

1975 expenditure	1976 preliminary draft budget	Forecasts at 1975 prices	
		1977	1978
4633	5160	5300	5000

79. The Commission does, however, stress the especially random and variable character of agricultural expenditure.

80. In the Guidance Section the Commission forecasts the following increases: 325m u.a. in 1976, 341m u.a. in 1977, 401m u.a. in 1978, which would entail calling on the 'Mansholt' reserve to a modest extent in 1977, but fairly substantially in 1978.

Social sector

81. The Commission predicts that expenditure in this sector will remain virtually stationary in 1977, after which it is expected to rise fairly substantially in 1978, totalling something of the order of 560-620m u.a.

Regional sector

82. The 1976 and 1977 commitment appropriations for the Regional Fund have already been fixed. The Commission predicts a rapid rise in payment appropriations, which should reach 500m u.a. in 1977 and 750m u.a. in 1978.

Research, industry/energy, technology, education sector

83. In the research and investment sector the Commission predicts a fairly sharp rise in 1977 (from 149 to 163m u.a.), followed by a flattening out in 1978 (166m u.a.). Expenditure on the industrial sector should remain stable at around 30m u.a. throughout the period under consideration, whilst expenditure on the energy sector is expected to rise sharply: 55 m u.a. in 1976, 100-120 m u.a. in 1977, 140-170 m u.a. in 1978. The rise in expenditure will reflect the implementation of a Community energy policy designed essentially to reduce European dependence on imported oil.

Development cooperation sector

84. A particularly substantial increase in requirements is expected in this sector, with expenditure rising from 418m u.a. in 1976 to 567m u.a. in 1977 and 707m u.a. in 1978. The bulk of this increase is accounted for by the Commission's triennial food aid programme, under which such aid is to be boosted to around 500m u.a. in 1978, and the programme of aid to non-associated developing countries (197m u.a. in 1978).

Operating expenditure sector

85. Forecasts under this heading are based on annual increases in staff and purchasing power of 4%. This would mean that operating expenditure would rise to 321m u.a. in 1977 and 333m u.a. in 1978.

(see following table)

The Commission proposes to up-date this document - in particular in the light of the 1976 budget as finally adopted - around December of this year. It will then be possible to undertake a more detailed analysis of these triennial forecasts.

GENERAL OBSERVATIONS

86. The multiannual forecasts put forward by the Commission call for the following basic comments:

(a) The Commission's financial analysis is certainly more thorough than the 1974 attempts;

(b) However, these forecasts are mainly technical in nature. According to the decision of 21 April 1970 their scope should be much more far-reaching. They should make it possible to place the Community's budget within the context of multiannual forecasts and to take account not only of the financial implications of 'regulations and decisions in force' but also 'of proposals submitted by the Commission to the Council'.

(c) These forecasts should be far from academic since Articles 2 and 3 of the decision of 21 April 1970 provide for:

- consideration, each year on the basis of a report from the Commission, of the measure of agreement between the forecast and the developments as recorded;
- a report from the Commission to the Council every time expenditure incurred under a category considerably exceeds the forecast;
- finally, in the latter eventuality, proposals from the Commission to the Council for appropriate Community measures.

87. The multiannual forecasts as submitted by the Commission:

(a) For the most part confirm that the present structure of the budget of the Communities will be retained until 1978:

(b) Indicate a certain amount of progress in fields where developments are anticipated (social, regional and energy sectors)

(c) Nevertheless represent a poor expression of the Commission's willingness to consolidate its budgetary policy and hence the role of the Community budget.

88. Finally, it should be noted that the forecasts have in most cases been made on the basis of general constant price levels; this does not allow an exact assessment of the revenue problems which will arise as a result of trends in the Community's budget and which are extremely important for a Community with financial autonomy. Moreover, the Commission emphasizes several times the very unpredictable nature of revenue from agricultural levies.

89. The above observations therefore call for the following provisional conclusion:

- the Commission must be commended on the effort it has made in its financial analysis of the triennial developments in the major items of budgetary expenditure;
- it is, however, desirable that the presentation of these forecasts should in future be accompanied by hypotheses of a more political character and should make it possible for the annual budgets to find a proper place in the context of multiannual estimates.

Expenditure 1975-78 by major sectors

in m u.a.

	1975	1976 forecasts		1977	1978	Percentage growth rate (rounded off)		
	Appropriations (including supplementary budget and transfers)	budgetary	at 1975 prices			1976/ 75 (col. 3:1)	1977/ 76 (col. 4:3)	1978/ 77 (col. 5:4)
	1	2	3	4	5	6	7	8
1. Agriculture	4568	5493	5492	5649	5409	20	3	4
2. Social sector	376	517	465	517-547	558-618	24	11-18	8-13
3. Regional sector	150	450	450	500	750	200	11	50
4. Research, technology, industry, energy	130	249	235	296-316	335-365	81	26-34	13-16
5. Development cooperation	253	419	418	567	707	65	36	25
6. Expenditure (administration, aids, etc.) from the Commission budget								
(a) Staff, administration, aids, excluding flat-rate refund	294	365	333	354	367	13	6	4
(b) Flat-rate refund (Chapter 29)	393	437	416	493	494	6	19	0

Criteria to be met by the 1976 budget

95. The draft budget drawn up by the Council is particularly disappointing to the extent that it reflects a strained attitude and a reluctance to face the economic difficulties encountered by the Member States; this attitude deserves criticism from the dual angle of economic theory and Community action.

96. A victim of its own indecision and uncertainty, the Council is proposing a budget which merely renews appropriations entered in the previous financial year with the corollary of a deterioration of the agricultural imbalance. This short-sighted policy has led the Council to limit any consolidation of existing actions, to refuse to initiate new actions and to prohibit the Community from specifically reacting to the economic difficulties it is now experiencing.

97. The 1976 budget should on the contrary allow the Community to face up to the economic crisis while also achieving further integration in the key sectors:

- facing the crisis means providing aid to the worst affected individuals and sectors in order to contribute to their reintegration into the economic circuit. In social terms this means more aid for the handicapped, for migrant workers and for the unemployed: it would be particularly disappointing if on this point the Community budget could not add its contribution to the efforts made at national level and were to seem, in the eyes of the general public, unrelated to the hard economic realities of the present time; in regional terms, it means further aid to the least favoured regions which are the most seriously affected by the crisis. But facing the crisis also requires an awareness of its repercussions on the least developed countries and an increase in Community aid; withdrawal into isolation would be particularly inappropriate on the part of a Europe which professes its faith in world solidarity and has set up ambitious aid mechanisms. Assistance to the developing countries has become part and parcel of the Community's activities and in some measure, conditions its image in the world at large.
- further integration in key sectors of the European economy; the present difficulties bring cruelly home the need for a common energy policy which will enable the Nine to solve jointly the major problems of ensuring their energy supplies. The 1976 budget must also encourage the acceleration of the joint research programmes which exceed national capabilities and are essential to solve the technological problems and enable further economic progress to be made. Finally it must facilitate integration of the industrial structures of the Member States so as to make them more competitive in a particularly difficult world environment.

COMMITTEE ON BUDGETS

REPORT

on the

Draft Budget of the European Communities for 1976

ANNEX I

Table I	- Breakdown of revenue
Table II	- Table of expenditure by Institution
Table III	- Table of expenditure by sector
Table IV	- Table of staff of the Institutions
Table V	- Classification of appropriations into CE and NCE

Rapporteur: Mr Michael COINTAT

BREAKDOWN OF REVENUE

- Comparison between financial years 1975 and 1976 according to category of revenue

TABLE I

	1975 budget (incl. suppl. budgets)	%	1976 prelim. draft	%	1976 draft	%
1. Miscellaneous revenue ¹	57 162 239	1 0	62 407 404	0 8	61 840 108	0 9
2. Own resources incl.:	3 930 478 708	62 6	4 371 956 172	54 2	4 271 626 520	57 3
- Levies (Chapter 10)	423 797 500		629 095 550		629 095 500	
- Contributions (Chapter 11)	106 722 500		107 941 000		107 941 000	
- Customs duties (Chapter 12)	3 399 958 708		3 634 919 622		3 534 590 020	
3. Contributions provided for in Art. 4(2) of the decision of 21.4.1970 (GNP scale)	2 278 177 460	36 4	3 623 620 705	45 0	3 123 097 234	41 8
TOTAL	6 265 758 407	100 0	8 057 984 281	100 0	7 456 563 862	100 0

- ¹ This heading includes
- Portion of proceeds of ECSC levies paid in pursuance of Article 20 of the Treaty of 8 April 1965
 - deductions from staff remunerations
 - miscellaneous revenue

TABLE II

TABLE OF EXPENDITURE FOR THE FINANCIAL YEARS 1975 and 1976

- Divided up between the Institutions -

	1975 Budget and Supple- mentary Budget	%	Preliminary Draft Budget 1976	%	Draft Budget 1976	%	Difference between Preliminary Draft Budget and Draft Budget for 1976 in %
Section I / European Parliament	41 597 229	0,66	52 242 099	0,65	52 242 099	0,70	-
Section II / Council	50 472 467	0,81	64 450 658	0,80	64 450 658	0,86	-
Section III / Commission	6 164 368 691	98,38	7 930 313 234	98,41	7 328 680 178	98,29	- 7,59
Section IV / Court	9 320 020	0,15	10 978 290	0,14	11 183 380	0,15	- 1,87
TOTAL	6 265 758 407	100	8 057 984 281	100	7 456 556 315	100	- 7,46

TABLE III

DETAILED TABLE OF THE TREND IN COMMUNITY EXPENDITURE BY SECTOR in UA

S e c t o r	Appropriations under the 1975 budget	%	Appropriations 1975 including 1st, 2nd & 4th supplementary budgets Nos 1, 2 and 3	%	Preliminary draft budget 1976	%	Draft budget 1976	%
<u>I. COMMISSION</u>								
<u>A. Operating appropriations</u>								
1 - Staff	204,064,780	3,50	204,064,780	3,37	249,767,016	3,10	241,707,900	3,24
2 - Administrative expenditure	63,941,800	1,10	64,151,800	1,06	80,500,020	1,00	78,156,450	1,05
3 - Information	6,300,000	0,11	6,300,000	0,10	6,830,000	0,09	6,340,000	0,09
4 - Aids and subsidies	17,043,300	0,29	16,843,300	0,28	22,984,810	0,28	22,313,150	0,30
	291,349,880	5,00	291,359,880	4,81	360,081,846	4,47	348,517,500	4,67
<u>B. Intervention appropriations</u>								
1 - Agricultural sector	4,306,805,250	73,93	4,567,805,250	72,92	5,493,221,900	68,16	5,490,505,500	73,63
2 - Social sector	378,284,200	6,49	375,495,200	5,99	516,642,000	6,41	412,600,000	5,53
3 - Regional sector	p.m.		150,000,000	2,39	450,000,000	5,58	300,000,000	4,02
4 - Research, technology, industry, energy	125,888,490	2,16	130,862,998	2,07	248,979,871	3,10	135,672,526	1,82
5 - Development cooperation	266,818,044	4,58	252,797,000	4,04	419,192,000	5,20	211,222,000	2,83
	5,077,795,984	87,17	5,476,960,448	87,41	7,128,035,771	88,45	6,550,000,026	87,84
<u>C. Contingency reserve</u>	3,500,000	0,06	3,000,492	0,05	5,000,000	0,06	3,000,000	0,04
<u>D. Reimbursement to Member States</u>	386,887,824	6,64	393,047,871	6,27	437,195,617	5,43	427,162,652	5,73
COMMISSION TOTAL	5,723,893,644	98,25	6,164,368,691	98,38	7,930,313,234	98,41	7,328,680,178	98,28
<u>II. OTHER INSTITUTIONS</u>	101,389,716	1,75	101,389,716	1,62	127,671,047	1,59	127,883,684	1,72
GRAND TOTAL	5,825,283,360	100	6,265,758,407	100	8,057,981,281	100	7,456,563,862	100

TABLE IV

TABLE OF STAFF OF THE INSTITUTIONS

- Comparison between financial years 1975 and 1976 -

	1975 Budget + Supplementary Budgets		Preliminary Draft Budget 1976		Draft Budget 1976	
	Permanent Staff	Temporary Staff	Permanent Staff	Temporary Staff	Permanent Staff	Temporary Staff
EUROPEAN PARLIAMENT	1 082	124	1 277	127	1 277	127
COUNCIL	1 475	6	1 495	6	1 495	6
- Economic and Social Committee	292	-	302	-	302	-
- Audit Board	30	-	30	-	30	-
- ECSC Auditor	5	-	5	-	5	-
COMMISSION						
- Operational Budget ¹	7 632	171	8 019	171	7 798	171
- Research Budget ²	1 866 ³	1	1 884 ⁴	1	1 884 ⁴	1
COURT OF JUSTICE	241	20	244	20	244	20
TOTAL	12 623	322	13 256	325	13 035	325

¹ Including Office of Publications and the Agency of Supplies (EURATOM)² Including Establishment Staff³ Of which 1547 Scientific and Technical Staff⁴ Of which 1565 Scientific and Technical Staff

CLASSIFICATION OF APPROPRIATIONS INTO COMPULSORY AND NON-COMPULSORY
EXPENDITURE¹

Compulsory expenditure^{*}

- <u>Title I</u> -	Expenditure relating to persons working with the Institution
<u>* Chapter 10</u> -	<u>Members of the institutions</u>
Chapter 11 -	Staff
<u>* Article 112</u> -	<u>Pensions and severance grants</u>
Chapter 12 -	Allowances and expenses on entering and leaving the service and on transfer
<u>* Articles 121 - 125</u> -	<u>Miscellaneous expenses and allowances relating to persons working with the Institution</u>
- <u>Title II</u> -	Buildings, equipment and miscellaneous administrative expenditure
Chapter 23 -	Current administrative expenditure
Article 232 -	Financial charges
<u>* Item 2321</u> -	<u>Differences in exchange rates</u>
<u>* Article 233</u> -	<u>Legal expenses</u>
<u>* Article 234</u> -	<u>Damages</u>
<u>* Chapter 29</u> -	<u>Other expenditure</u>
- <u>Title III</u> -	Expenditure on specific projects undertaken by the Institution
Chapter 30 -	Expenditure in the social sector
<u>* Article 309</u> -	<u>Community aid to workers made redundant in the Italian sulphur mines</u>
- <u>Title IV</u> -	Aids, subsidies and financial contributions
<u>* Chapter 44</u> -	<u>EEC contribution to administrative expenditure connected with inter- national agreements</u>
- <u>Title V</u> -	Social and Regional Funds
<u>* Chapter 53</u> -	<u>Social Fund - expenditure provided for under Article 125(1) (a) of the EEC Treaty</u>

* - <u>Titles VI and VII -</u>	<u>EAGGF - Guarantee</u>
* - <u>Title VIII -</u>	<u>EAGGF - Guidance</u>
- <u>Title IX -</u>	Expenditure on cooperation with the developing countries, food aid expenditure and other expenditure
* <u>Chapter 91 -</u>	<u>Financial and technical cooperation with the countries of the Maghreb and Malta</u>
* <u>Chapter 92 -</u>	<u>Food aid</u>
* <u>Chapter 94 -</u>	<u>Exceptional measures to assist developing countries</u>

Non-compulsory expenditure

All other expenditure

¹ Summary of the table proposed by the Commission in Annex III to
Volume 4 of the preliminary draft budget

ANNEX II

COMMITTEE ON BUDGETS

REPORT

on the

Draft Budget of the European Communities for 1976

ANNEX II - QUESTIONNAIRE TO THE COUNCIL BY THE
RAPPORTEUR AND ANSWERS THERETO

Rapporteur : Mr Michel COINTAT

Question

1. The Council's account of the meeting of 22 September with a parliamentary delegation might give the impression that the exchanges of views took place between the delegation and the President-in-Office of the Council only. However, almost all the members of the Council spoke directly to the members of the delegation, who in turn replied directly.

Does the Council recognise that there has been a direct and informal dialogue between the members of the two institutions?

2. Independently of the oral information which it will be able to give to Parliament and its bodies throughout the budgetary procedure, does the Council not consider that the explanatory memorandum which it has just forwarded is:

(a) contrary to the spirit if not the letter of Article 13 of the Financial Regulations;

(b) inadequate in itself and in terms of the need for a real inter-institutional dialogue, a need that was emphasised by the parliamentary delegation at the meeting with the Council on 22 September?

(c) is it not true that the Commission's General Introduction to the preliminary draft budget, despite its frequently descriptive nature, includes a series of detailed proposals, especially where it deals with the development of appropriations for the operational sectors?

Reply

1. The Council readily agrees that this year's exchange of views, to which most members of the Council, the members of the European Parliament delegation and Mr CHEYSSON, Member of the Commission, contributed, has been particularly fruitful.

There was indeed a real dialogue between the Council and the European Parliament delegation.

2. The Council considers that the explanatory memorandum which it forwarded to the European Parliament in Annex to the draft budget under consideration gives a brief but full account of the main considerations which influenced it when drawing up the budget, is entirely in accordance with the tenor of Article 13 of the Financial Regulation and provides an adequate basis for continuing the inter-institutional dialogue which began in Brussels on 22 September between a delegation from the European Parliament and the Council.

Other political considerations were put forward by Mr RUMOR, President of the Council, in Strasbourg. The European Parliament discussed these considerations at length.

The President of the Council reiterates his willingness to provide the European Parliament and the relevant committee with any further details they may require in the course of the budget discussions.

Question

3. Does the Council dispute the fact that this new Community 'budgetary principle' was created entirely by the Council itself and put forward for the first time during the budgetary procedure for the 1975 financial year?

4. Does the Council confirm that the annual budget of the Communities must contain all foreseeable revenue and expenditure of the Communities?

Art. 199 EEC: 'All items of revenue and expenditure of the Community .. shall be included in estimates to be drawn up for each financial year and shall be shown in the budget'

Art. 1 (1) of the Financial Regulation: 'The budget of the European Communities (...) is the act which makes provision for and authorizes (...) the expected revenue and expenditure of the Communities'.

5. Does the Council accept that a supplementary budget should contain only expenditure which could not be foreseen at the time when the draft budget was adopted - and which it was essential to enter under the current financial year?

Reply

The Council remains convinced that it should not, by way of the budget, prejudice decisions to be taken on new Community measures which are only at the stage of discussion by Council bodies and for which no legal basis for including expenditure in the budget as yet exists.

3. The Council wishes to point out that this course of action was followed on several occasions in previous years, particularly when the 1975 general budget was being drawn up. There is therefore no question of it being a new 'budgetary principle' which has just been created and put forward for the first time.

4. The Council confirms that it too considers the budget of the European Communities, as stated in the Treaties and the Financial Regulation, to be an act which makes provision for and authorizes the anticipated revenue and expenditure of the Communities. When making its political and financial assessment, and in view of the tightened economic situation which it took into account this year, the Council only included in the draft budget expenditure which, in current circumstances, it felt certain ought to be committed. It did not believe it wise to include in the draft budget other expenditure which although fairly foreseeable was not sufficiently definite to warrant its being entered.

5. The Council recognizes that expenditure which cannot be foreseen when the draft budget is being drawn up may be included in supplementary budgets during the financial year, where necessary.

Question

3, 4, 5 (contd.)

6. The Council asks that certain proposals for improvement to the budgetary timetable should be considered to give the institutions more time to study budgetary documents. Does the Council not consider that a change in the timetable would provide only a partial remedy, since it is likely that it would be applied to only part of the estimates (and would not include the EAGGF expenditure, for example).

This being the case, would this remedy not accentuate the fragmentary nature of the presentation of the budget, which is undesirable, particularly in view of the Community's financial autonomy, still limited though it be?

7. Does the Council not consider, therefore, that any improvement of the timetable must if it is to be approved by Parliament - be accompanied by an undertaking to establish a full estimate of foreseeable expenditure for the financial year in question?

8. Does the Council question the fact that the national budgets of the Member States have increased considerably this year, precisely because measures are needed to fight the economic recession?

Reply

The Council wishes to point out that under the provisions of the Financial Regulation it is always possible to submit a supplementary budget 'where necessary'.

6. However, the Council will obviously do all in its power to resort to supplementary budgets as infrequently as possible.

6/7. The Council once again draws the attention of the European Parliament to the dates on which the preliminary draft general budget of the European Communities for 1976 and the letter of amendment to that draft were submitted to it by the Commission.

This proves even more clearly than in previous years that the Council has very little time at the beginning of the budgetary procedure and that some practical changes are desirable if the budget is to be examined under the best possible conditions in future.

The Council stresses that its desire to examine these changes in close co-operation with the European Parliament and the Commission springs from a wish to find a solution to this problem which will satisfy all the institutions.

The Council is perfectly aware that the budget timetable also causes considerable problems for the other institutions, particularly the European Parliament and the Commission.

8. First of all, the Council would point out that the rate of increase is not the same in all the Member States' budgets for 1976.

Moreover, the national budgets and the Community budget fulfil very different functions at this stage in the development of the Communities.

Question

Reply

8 (contd.)

9. Does the Council not realize that the Community budget - which is 90% operational - has a multiplier effect potentially greater than that of the national budgets?

10. Does the Council consider that the financing of common policies results in a parallel reduction of national burdens (with the exception of certain sectors such as regional development) and that the common policies provide an opportunity to rationalize national action and so increase the benefits accruing from it.

11. Does the Council agree that, in view of the likely continuation of a high inflation rate in 1976, the rate of increase in the Community budget (19%)¹ will in fact be under 10% expressed in real terms?

Finally, it should be noted that, while the budgets of some Member States have been increased in certain areas to meet the requirements of the economic revival, it is nevertheless true that public expenditure in all the Member States has been examined with a particularly critical eye this year in view of the current situation.

9. The Council has not yet looked into the question of whether the multiplier effect of the Community budget is potentially greater than that of the national budgets.

It would appear, however, that this assessment has to be seen in the proper perspective and that account must be taken of the fact that the Community budget only represents 0.57% of the GNP of the 9 Member States and 2.04% of the combined national budgets.

10. There is no single answer to this question either.

The Council would point out that some Community measures are adjuncts to national measures and are not replacements for them.

11. It is difficult to foresee what the actual rate of increase of the Community budget will be in real terms.

¹ 8.5% if the amounts not carried forward automatically from 1974 are added to the 1975 appropriations.

Question

12. Is the Council aware that after 5 October the draft budget can be modified only in accordance with the procedures laid down in Article 203, that is to say that the initiative for such modifications belongs to Parliament alone, exercising its right to propose modifications and to amend the draft budget?

13. Does it not consider, therefore, that the letter of amendment procedure constitutes an unwarranted interpretation of the possibilities laid down in Article 12(5) of the Financial Regulation and should be replaced, at least insofar as adjustments to compulsory expenditure are concerned, by the submission of observations to the European Parliament which would then transform them, if it thinks fit, into proposed modifications to the draft budget?

Reply

12/13. Article 203 of the Treaty does indeed stipulate that, as of 5 October, the European Parliament has the right to amend the draft budget and propose modifications to the draft budget to the Council which shall then act on the basis of the amendments adopted by the European Parliament and the proposed modifications submitted by it.

Article 12(5) of the Financial Regulation cannot, however, be ignored; this Article reads as follows:

'The Commission, where appropriate at the request of the European Parliament, the Council or the Court of Justice, may file, before the adoption of the budget, any amendment taking into account additional information.'

This provision is intended to supplement Article 203 and allows the Commission to submit amendments to the budget either on its own initiative or at the request of the European Parliament, the Council or the Court of Justice up until the time the budget is adopted, if new and additional information justifies such requests.

This information may be of various kinds: it could, for example, concern variations in the world economic situation or amendments to policies already decided on by the Council. In such cases the institution supplying the additional information must ask the Commission to take this information into account and adjust the budget estimates accordingly, if the Commission has not already done so on its own initiative. It is a question of strict application of the Financial Regulation and does not in any way infringe the budgetary powers of the European Parliament which concern the whole of the budget and therefore cover any amendments submitted by the Commission before the budget is adopted.

Question

14. How does the Council justify such a development, which is contrary to all principles of sound economic management?

Is the Council aware of the serious nature of this phenomenon, which threatens to slow down such Community action as is already under way in certain sectors, such as research?

15. The effect of the 'economies' introduced by the Council has been to increase the proportion of appropriations earmarked for:

- the administration of the Commission (from 4.4 to 4.7%)
- the agricultural sector (from 68.1 to 73.6%)
- refunds to Member States (from 5.4 to 5.7%)

Reply

14. The percentages given for the growth of operational and intervention expenditure relate to widely differing amounts which cannot be compared.

The operational appropriations represent 6.39% of the total appropriations of the 1976 draft budget while the intervention appropriations represent 87.84% of it.

I should add that administrative and operational expenditure cannot be compared with intervention expenditure since the former apply to the four institutions while the latter applies only to the Commission. Thus, while the increase in administrative and operational expenditure is 21.30% for the Institutions as a whole, it is only 19.62% for the Commission.

I should also point out that within the administrative and operational expenditure of the Commission, which represents 4.67% of the total expenditure of the 1976 draft budget, there are several sectors: in addition to staff and operational expenditure which represents 4.29% there is other expenditure on information, aids and subsidies.

15. The percentages quoted by the rapporteur and appearing in the table on page 9 of the explanatory memorandum must be analyzed with great caution.

First, the proportions of the various appropriations in the 1975 budget should be compared with the 1976 draft budget.

Question

15 (contd.)

and to reduce the proportion of appropriations earmarked for:

- the social sector (from 6.4 to 5.5%)
- the regional sector (from 5.6 to 4%)
- the research/industry/energy sector (from 3.1 to 1.8%)
- the cooperation sector (from 5.2 to 2.8%)

Does the Council consider that it has improved the allocation of appropriations in the budget of the Commission to the greater advantage of the Community?

16. Does the Council agree that it is wrong to apply the term 'contributions' to that part of the revenue accruing to the Community by virtue of Article 4(3) of the decision of 21 April 1970 (GNP scale)?

Is it not aware of the provisions contained in the first paragraph of that article?

Is it aware of the political implications of the erroneous use of the term 'contributions'?

Reply

15 (contd.)

The fluctuations in appropriations in the various sectors from 1971 to 1976 should be noted.

For example, the Regional appropriations which have been increased by the Council in 1976 have increased by 21.60% and expenditures in the agricultural sector have risen by 123.60%.

The Social Fund appropriations rose by 12.67% and other expenditure in the social sector by 20%.

In conclusion it should be stated that under existing regulations and in view of the present economic situation the Council believes that it has produced a result which is adequate.

16. Pursuant to Article 4(3) of the subparagraph, of the Decision of 21 April 1970, the Community budget is financed, apart from the contributions of the Member States, by other miscellaneous revenue, namely from the European Communities' own resources as of 1 January 1971. These own resources are defined and listed by the Regulations on the agricultural and structural funds, duties and revenue levies, etc. Nevertheless the Council is of the opinion (Article 4(3) of the Decision of 21 April 1970) stipulated in the absence of a uniform system for assessing VAI, that part of the Community Budget which should be financed by this type of revenue shall be covered by a certain contribution to the Community budget from each Member State based on GNP.

Question

16 (contd.)

17. Is it possible that the Council considers as 'valid for future budgets' its statement to the effect that any financial repercussions arising from the annual decision on price adjustments cannot be anticipated in an annual draft budget and must therefore be contained in a supplementary budget?

Reply

16 (contd.)

Even though Article 4(3) of the Decision of 21 April 1970 provides for a financial contribution, this contribution actually comes within the system of the Communities' own resources.

17. As stated by the Council in the Explanatory Memorandum to the draft budget for 1976, the statement which it entered in the minutes of its meeting on 23 September 1974 when drawing up the draft budget for 1975, and which I shall remind you of, remains valid for future budgets.

This statement was as follows:

'In adopting the Guarantee Section appropriations for 1975, the Council has kept before it the following considerations:

- agricultural expenditure varies greatly depending on available economic data and must consequently be amenable to adjustment during the year;
- the appropriations under Titles 6 and 7 of the draft budget for 1975 take no account of any financial repercussions arising from the annual decision on price adjustments;
- the financial repercussions of such adjustments must, therefore, be reflected in the adoption where necessary of a supplementary budget.'

The Council is also pleased to note that this year the Commission shares its view.

In this connection I would point out that in the general introduction to the preliminary draft budget for 1976 (Volume 7 - Commission, page 59) the Commission stated that:

Question

17 (contd.)

18. Does it not consider, moreover, that the policy of supplementary budgets will become impracticable when financial autonomy is achieved and the budget is partially financed by Community VAT?

19. The Council provides for a frozen entry under Item 8311. On the basis of what provisions of the Financial Regulation does it provide for such a freezing of appropriations? How, in its view, can the budgetary powers of Parliament be exercised when these appropriations are unfrozen?

Reply

17 (contd.)

'The appropriations for the Guarantee Section of the EAGGF were estimated taking into account the statement included in the minutes of the Council meeting of 23 September 1974.'

I might also add that in its cover note for the letter amending the preliminary draft budget, the Commission said that no provision appeared in the preliminary draft budget for 1976 since it seemed that the expenditure corresponding to the adjustment of prices was not foreseeable at this stage, on the one hand because of the rapid and sizeable fluctuations, both favourable and unfavourable, in world rates, and on the other because of the improvements in policies envisaged by the Commission and now being studied, which were likely to reduce certain expenditure currently provided for.

18. The Council answered the same question a year ago and my reply today will be the same.

Even when the budget is partly financed by revenue from VAT, the general principle of supplementary budgets, embodied in Article 1 of the Financial Regulation, will still be valid.

19. The Council points out that the practice of freezing budget entries has been followed in previous years, although it is not expressly provided for in the Financial Regulation.

The European Parliament itself has followed this practice in previous years.

Question

19. (contd.)

20. How can the Council enter these appropriations, even though they are frozen, when there is no basic regulation, while it affirms elsewhere that in the absence of such a regulation no entry is possible?

Reply

19. (contd.)

In any case, the European Parliament may request that it be consulted when the Commission proposes the unfreezing of an appropriation to the Council.

In the specific case of item 8311, the European Parliament is being consulted on the proposal for a Regulation amending Regulation No. 464/75 of 27 February 1975 establishing systems of premiums for producers of bovine animals, which provides for partial financing of the said premium systems by the Guidance Section of the EAGGF.

If the Council were not to follow the Commission proposal on the matter, 45,300,000 units of account would become available under the EAGGF and, in the absence of joint projects, then be earmarked for individual projects.

20. In accordance with the Financial Regulation, the Council may supplement the nomenclature within the framework of the budgetary procedure.

It may also specify, in a binding comment, that this budget entry and appropriation shall be frozen.

Question

21. The Council provides no real justification for the reduction which it has applied to the Commission proposals despite the fact that these were based on very convincing tables (pages 88 and 89 of Volume 7 of the preliminary draft) which showed clearly that the appropriations proposed were in many cases well short of the requests likely to be received.

What arguments can the Council advance in reply to the Commission's detailed estimates to justify its reductions? Is it possible that the Council is using the budget to resist the development of actions the stepping up of which was considered essential by the Paris Summit?

22. The Council provides for an increase of 12.7% in the appropriations for the Social Fund (against an increase of 36.8% proposed in the preliminary draft budget). In view of the likely rate of inflation and probable development of the economic situation, does the Council consider that the Community's social action in 1976 can match the serious nature of the social problems that lie ahead?

Reply

21/22 The Council feels obliged to point out that it drew up this draft budget in a difficult economic and financial situation calling for great austerity. The appropriations adopted by the Council are thus the maximum on which it was possible to obtain the majority laid down in the Treaties. It should however be emphasized that appropriations for the Social Fund (Articles 500 and 510) have been increased by 12.67% as compared with 1975.

Acknowledging the fact that priority has to be given to vocational training programmes linked to the employment problem and to objectives of specific interest to the Community, resources intended for projects provided for under Article 4 of the Social Fund have been increased in view of the decision on the principle of granting aid to sectors and areas particularly affected by the current economic crisis. Furthermore, part of the appropriations for the Social Fund are intended for new measures decided by the Council to help the young unemployed and young people seeking their first job. This decision reflects the Council's desire to do everything possible to reduce the difficulties encountered by young people from the Member States, one of the categories of workers most affected by the current employment crisis.

The Council is fully aware of the concern expressed by the European Parliament about the need to take account of the current employment problem. The Council has already

Question

21/22 (contd.)

23. Does the Council accept that the fact that Euratom loans have not been entered in the budget at this stage should in no way prejudice the decision to be made later on the principle of including these loans in the budget, as called for by the European Parliament, a matter which, should the Council refuse, will have to be dealt with by means of a conciliation procedure?

Reply

21/22 (contd.)

adopted a certain number of measures to meet this crisis but has not yet discussed all the measures proposed by the Commission.

The Social Fund is merely one of the means to be used by the Community and the Member States to alleviate the current situation.

Besides agreeing to the appropriations for 1976, the Council also approved the commitments which the Commission asked to be authorized to enter into after revising its estimates. These commitments are: for 1977, 60 MUA for Article 500 and 90 MUA for Article 510, and for 1978, 30 MUA for Article 500 and 45 MUA for Article 510.

23. The Council did not feel it was necessary to insert in the draft budget an article to cover Euratom loans for nuclear power stations. The Council would point out that it has not yet adopted a position on the whole of the draft Decision authorizing the Commission to issue Euratom loans.

The Council accepts that the exclusion of such an article from the draft budget in no way prejudices the decision it will subsequently be taking on these loans, and in particular their possible inclusion in the budget.

Question

24. Does the Council consider that this increase is in keeping with the Council's avowed objectives in connection with the industrial and energy policy of the Community?

Does it consider, in particular, that the appropriations earmarked for the industrial policy (90,000 u.a., or 0.001% of the Commission budget) faithfully reflect the financial needs of this sector of Community activity?

25. At the budgetary meetings of 22 and 29 September, did the Council reach an agreement - even unofficially - on the total appropriations to be allocated to the 'indirect action' sector in the form of a supplementary budget?

If so, what is this total?

26. Does the Council recognise that many decisions in this field are imminent (especially for the fusion programme)? Why, then does it assume responsibility for a delay of several months in making available the necessary appropriations?

Reply

24. The reasons why the Council has earmarked for Chapter 32 ('expenditure in the industrial and energy sectors') the figures given in the draft budget are set out on pages 25 and 26 of the explanatory memorandum attached to the draft budget.

The Council would like to take this opportunity to remind Parliament that these appropriations take into account decisions adopted up to this point and not proposals still under discussion.

The Council was anxious to ensure that the budget did not in any way prejudice the decisions which would be adopted subsequently on the basis of these proposals.

25/26. The Council has only just received the Commission's proposals for six new indirect action research programmes and the Commission has announced that it will shortly be submitting to the Council two new proposals for indirect action programmes.

Since it could not allow its budgetary decisions to prejudice any subsequent programme decisions on the Commission proposals, the Council agreed that the appropriations requested by the Commission for these new programmes should not be included in the draft budget, with the exception of the staff appropriations which it agreed to include in Title 8 of Chapter 33 of the draft budget.

Question

Reply

25/26 (contd.)

27. The Council provides that the appropriations for the European Foundation for the Improvement of Living and Working Conditions should be frozen until the budgetary authority approves the budget of this foundation.

Can the Council explain its position on this point?

28. How does the Council intend to explain such a decrease to public opinion in the developing countries and Member States?

29. Is the Council reconsidering its agreement in principle on the extension of direct Community aid to non-associated developing countries?

If that is not the case, does it object to the overall budget allocated by the Commission? If not, why did it refuse to enter the necessary appropriations?

25/26. (contd.)

However, because of the importance of the new programmes and the need to avoid unnecessary delay in implementing them at the budgetary stage once the programmes themselves have been decided upon, the Council agreed that as soon as the new programmes were adopted the financing would be granted by means of a supplementary budget.

27. As explained in the explanatory memorandum attached to the draft budget, the Council has entered 2,500,000 UA to subsidize the operations of the Foundation for the Improvement of Living and Working Conditions, with the proviso that this appropriation cannot be committed until the budgetary authority has approved the budget for the Foundation. The Council considers that this appropriation should be sufficient for 1976 in view of the fact that the Foundation has not yet begun to operate and has not established its budget.

28/29. It should be remembered, first of all, that the appropriations entered in the 1975 budget for development co-operation (252.8 MUA) covered two types of action, namely:

- Food Aid (166 MUA)
- Projects in favour of the developing countries (86 MUA)

The appropriations requested by the Commission for development co-operation in the 1976 preliminary draft budget cover, in addition to these two spheres of action, a third one entitled

Question

28/29 (contd.)

Reply

28/29. (contd.)

'co-operation with the non-associated developing countries, the Maghreb and Malta', which is linked to current negotiations and discussions.

The situation at the outset is thus as follows:

	1975	1976 preliminary draft budget	1976 draft budget
	(granted)	(requested)	
	MUA	MUA	
Food Aid	166	294	206.6
Developing countries projects	86.8	9.8	4.6
Co-operation with non- associated developing countries, Maghreb and Malta	(not entered)	115 (new)	
	<u>252.8</u>	<u>418.8</u>	<u>211.2</u>

2. As indicated in the explanatory memorandum attached to the draft budget, the Council has decided for 1976:

- to earmark an appropriation for Food Aid of 206.6 MUA (= an increase of 24.46%)
- to reduce the appropriation for projects to assist the developing countries from 9.8 MUA to 4.6 MUA (the Council did not deem it necessary to make a separate budget entry for aid to projects for co-operation with the developing countries carried out by non-governmental bodies (5 MUA), since there was no Commission proposal relating to such action).

Question

28/29 (contd.)

30. By refusing the appropriations laid down by the Commission for the transformation of posts, the Council expresses its intention to consider this question 'on a general level in the light of statutory provisions'.

What does this sentence mean? Does the Council intend to examine the details of this question and intervene directly in the Commission's internal promotions policy?

Reply

28/29. (contd.)

- to leave out of account, when the budget was being discussed, the Commission proposals relating to co-operation with the non-associated developing countries, Maghreb and Malta, as it did not wish these discussions to prejudice any decisions it would have to take at a later date.

The Council considers that the implications of the decisions taken will have to be considered at the appropriate time and with the agreement of the other Institutions, including any budgetary implications which arise.

3. There can thus be no question of a 'decrease' in the sector of development co-operation.

Measures will be taken at the appropriate time to honour the Community's commitments in this important sector, whether or not these are reflected by an inclusion of appropriations in the budget.

In the meantime the Council is continuing to examine these questions.

30. As indicated in the explanatory memorandum, the Council agreed to the Commission's requests for the re-grading of posts except those made for 'reasons of promotion'¹. It considered

¹ These requests were submitted as follows:

+35 A4	+37 B1	+131 C1	+19 D1
-30 A5	+ 2 B2	- 32 C2	-27 D2
- 1 A6	-29 B3	- 41 C3	+ 8 D3
- 4 A7	-10 B4	- 58 C4	

Question

Reply

30. (contd.)

30. (contd.)

that this question should first be examined on a general level in the light of statutory provisions before any such requests were granted.

The Commission itself recognized that career problems should be dealt with fairly and recommended that a rational and lasting solution be sought on the basis of a careful study of career structures. The Commission has already initiated such a study; it will be conducted on an inter-institutional basis. The Commission hopes then to be able to submit a number of proposals, which could be discussed by the Council next year.

The Council took note of this and agreed that it would first examine the Commission's projected study before deciding whether to grant its requests. The Council would point out that in the meantime promotions may still be made within the limits of the posts currently provided for on the establishment plan.

31. Why has the Council reduced the appropriations intended to cover expenditure not specifically provided for?

31. The Council points out that strict austerity was the keynote when the draft 1976 budget was being drawn up.

This explains why the 1975 appropriation for expenditure not specifically provided for has been repeated but not increased.

32. If there were an unforeseen decrease in own resources as against the budgetary estimates, would the Commission have to submit an amending budget? What other method could be used to counter such a fall in revenue?

32. The only method laid down in the Financial Regulation for countering unforeseen events as regards both revenue and expenditure is the submission of a rectifying or supplementary budget. For the time being, no other means exists for countering such a situation in regard to revenue.

Question

Reply

33. In view of the delay in closing EAGGF accounts for 1970, amendments to this relative share will have to be made as from the financial year 1971.

What will be the consequences of such an adjustment for the Member States?

33. It should be noted that, in the absence of certain final figures relating to 1970 expenditure under the Guarantee Section of the EAGGF, the Commission has not yet been able to determine conclusively the Member States' relative share for the financial year 1970.

In accordance with the provisions of the Decision of 21 April 1970, the relative share for 1970 is to serve as the basic reference for calculating each Member State's financial contributions for 1971; it will thus affect subsequent budgets.

The Council forwarded to the European Parliament its Decision giving the Commission discharge with regard to the implementation of the 1971 budgets. The European Parliament has still to give its opinion on this matter.

For the time being, the financial consequences of closing the accounts of the Guarantee Section of the EAGGF cannot be calculated.

34. The Member States' monthly payments are not made on the basis of the annual budget estimates but in the light of the Community's actual expenditure requirements.

Is it possible for these payments to exceed the budgetary appropriations under the current regulations?

34. It is possible for the payments made by the Member States to exceed the budgetary appropriations because these payments must cover both the expenditure for the financial year and expenditure resulting from appropriations carried forward. It should also be noted that there is a permanent time lag between the establishment of an entitlement and entry of the amount of own resources by each Member State to the credit of the account opened with the Treasury for this purpose in the name of the Commission (Article 9 of Regulation No. 2/71).

Question

35. The system of calculating the GNP scale provides that the average of the first three years of the last five-year period should be taken into account; for 1976, therefore, the GNP scale is based on the period 1971 to 1973, the period just before the recession which has affected several Member States.

What are the financial consequences of this situation?

Should the system not be modified in order to make possible a more accurate evaluation of Member States' capacity to contribute?

36. If, in 1978, the revenue from VAT is still not made available to the Community budget, which Member States would be adversely affected as a result?

The decision of 21 April 1970 recognised that own resources collected by Member States shall accrue directly to the Community. In view of the above, how are these resources dealt with at the national level from the budgetary and accounting points of view?

Reply

35. The GNP scale has a direct effect on the calculation of the relative shares before adjustment. Under the current regulations, the GNP scale does not take into account changes in GNP in the last two years of the 5-year period. It should be recalled, in this connection, that until 31 December 1977 relative shares will be adjusted on the basis of reference relative shares (Article 4 of the Decision of 21 April 1970).

As to the possibility of modifying the present system, it is the Commission's task to submit proposals. It should, however, be noted that GNP statistics for the last two years of the 5-year period are not available when the preliminary draft general budget of the European Communities is drawn up.

36. If the revenue from VAT is still not made available to the budget of the European Communities in 1978, the matter will have to be examined.

COMMITTEE ON BUDGETS

REPORT

on the

Draft Budget of the European Communities for 1976

ANNEX III - QUESTIONS ADDRESSED TO THE COMMISSION BY
THE RAPPORTEUR, AND REPLIES

On 3 October 1975 the rapporteur submitted 92 questions to the Commission of the European Communities.

On 21 October 1975 he received a lengthy reply.

The most important of these questions are reproduced herewith.

Questions

- (3) Item 1000 'Basic salaries',
Article 104 'salary weighting for members of the Institution', together with Items 1100 'basic salaries' and Article 116 'salary weighting for all staff'.

The figures entered against these articles and items, both for members of the Institution and for staff, are as follows:

1000	534,300 u.a.
104	818,100 u.a.
1100	92,696,400 u.a.
116	70,097,300 u.a.

What measures has the Commission taken or does it intend to take to rectify the practice of having two salary weightings which are almost equal to the basic salary figures?

- (8) Article 110, Item 1100 'Basic salaries'

It may be supposed that the Commission includes in its estimates a fixed annual sum for each new post, irrespective of the grade. What is that sum? The same question is asked in regard to the appropriations for the expatriation allowance and salary weightings, insofar as these are also calculated on a lump-sum basis.

Replies

- (3) (a) Item 1000 and Article 104
(b) Item 1100 and Article 116

The increase in appropriations under Articles 104 and 116 is a reflection in budgetary terms of the implementation of the Council's decisions with regard to adjustments of officials' emoluments. Since these decisions comply with Community regulations there is no reason at the moment to make any change.

- (8) The Commission's calculations were not based on the flat rate amounts. The appropriations shown are assessed on the basis of the exact grades of the posts requested. The same is true of the appropriations to cover the expatriation allowance and the correcting factor.

Questions

(13) Item 1110 'Auxiliary staff'

What average annual salary is used as the basis for calculating the appropriations to cover the remuneration of each employee?

Why does the number of auxiliaries remain constant each year, despite the creation of new posts?

Replies

(13) The estimates are for one category A auxiliary and 89 category C auxiliaries.

The following fixed averages have been applied (including allowances and grants and the employers' share of social security contributions):

- category A = 29,911 u.a.

- category C = 7,105.5 u.a.

Auxiliary staff is recruited to cope with increases in work, absences through sickness and posts that are temporarily vacant.

The established staff is intended to cope with absences and vacant posts.

The Commission stresses that the number of auxiliary staff requested is remarkably low.

(15) Item 1112 'Local staff'

The Commission has 83 local staff in Luxembourg and 293 in Brussels. What are the corresponding numbers of officials?

(15) The Commission has 293 local staff for its Brussels-based departments in 1975 (compared with a total staff of 6,094 officials).

It has 83 local staff in Luxembourg (excluding the Publications Office) in 1975 (compared with a total staff of 1,386 officials).

It should be emphasized that no fixed ratio can be established between the number of officials and the number of local staff. The number of local staff is mainly determined by the nature of the duties carried out and the geographical position of the departments.

Questions

(37) Article 210 'Rent'

About 20 m.u.a. as against 15.3 m.u.a. in 1975, and 11.3 m.u.a. in 1974.

Can a rentals policy be pursued in the years ahead that results in annual increases of 30-40%? Leaving aside plans for centralization, is it not high time that the Commission, in agreement with the other Institutions, brought pressure to bear on governmental authorities and individuals in the cities in which the Institutions are located, with a view to arresting such rent increases?

Replies

(37) Article 210 - Rent

1. The following three factors must be taken into account when comparing the appropriations for 1974, 1975 and 1976:

- the following buildings must be added for 1975 and 1976:

Brussels restaurant	17,872,638
Archimède 11	9,929,086
Loi 120 (Singer)	7,000,000
Manhattan	9,242,744
Rue Gray	8,529,468
Zaventem	14,647,815

Total	67,221,751
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Minus Diegem	3,864,990
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Bfrs	63,356,761
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u.a.	1,267,135
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- the removal of the departments of the Commission in Luxembourg in the new FEAL building: this file has been presented to the Parliament.

- five additional delegations (Ottawa, Athens, Tokyo....) have been opened in the meantime.

2. The considerable increase in expenditure on rent in 1976 can be explained by the following facts:

- as all the rents are index-linked, an increase of 11% per year is normal; furthermore, land tax has increased in Brussels;

- rent will have to be paid for twelve months in 1976 for the new buildings rented in 1975 whereas that expenditure was incurred for only six months in 1975;

Questions

Replies

- in 1976 the Commission will have to pay double rent for most of the buildings in Luxembourg because of the gradual transfer of its departments to the FEAL building.

3. Although it is planned to concentrate the departments of the Commission in one or two buildings at the most in Luxembourg by the end of the financial year 1976, the opposite tendency is apparent in Brussels. The number of buildings occupied by the Commission in Brussels was nine in 1973 and will be twelve (+ one with the new posts to be acquired in 1976) in 1976.

The Commission has set up inter-Institutional working parties in both Brussels and Luxembourg to coordinate the policy of the Institutions as regards the rental of buildings and in order to represent the Institutions with the local authorities and private undertakings.

The Commission does not have sufficient means to pressurize the Government or town authorities into curbing rent increases.

However, one possible solution, which has so far always been rejected, would be to authorize the Commission itself to construct a complex to cover all its requirements.

Questions

(38) Article 211 'Insurance'

Unduly high appropriations for the insurance of buildings abroad. The rent/insurance ratio is 154 for buildings in Brussels but only 53 for buildings abroad. Why is the insurance for the latter so high?

(40) Total for Chapter 21

Considerable increase (33%) in the appropriations for the rental of buildings and associated expenditure which amounts to almost 30 m.u.a. Expenditure earmarked for buildings in Luxembourg has increased by a far larger amount (by a factor of 2.5) than that earmarked for buildings in Brussels (by a factor of 1.2). Why? Will there be an appreciable increase in the Commission's activities in Luxembourg in 1976? (In 1976 expenditure allotted to the Luxembourg buildings will amount to 6 m.u.a. (1975 = 2.4 m.u.a.) and this will be additional to the figure of 21 m.u.a. (1975 = 17.5 m.u.a.) for the buildings in Brussels).

Replies

(38) Article 211 - Insurance

The Commission has been able to obtain very favourable insurance terms for the buildings which it occupies in both Brussels and Luxembourg by taking out one single policy. However, it must be added that, as far as insurance is concerned, the rate payable for large buildings is proportionally lower than that payable for small buildings.

The Commission must take out policies for the buildings occupied in other countries with approved insurance companies on the spot, in compliance with the local laws. The Commission can therefore not benefit from the same favourable terms as in the case of the buildings in Brussels and Luxembourg.

(40) Chapter 21

The particularly large increase in the case of the buildings in Luxembourg is the result of the period of overlap when the transfer to the new building was under way (see remarks on Question No. 37).

Questions

(44) Item 2263 'Hire'

The operation of ECDOC calls for an expenditure of 0.7 m.u.a. on the hire of computers in 1976 - a much larger sum than in 1975. At the time of the parliamentary investigation of the Computer Centre the Commission gave an assurance that ECDOC would soon be run on the Centre's computers in Luxembourg. What is the present position?

(47) Item 2320 'Financial charges, bank charges'

40,000 u.a.! Bank charges which we have no means of reducing?

Replies

(44) Item 2263

What is involved, basically, is the expenditure on the contract for the hire of a computer from the firm MTI (Méthodes et techniques de l'information): as the present contract is due to expire at the end of 1975, it must be renewed for a further two years at least. The transfer of this operation to the Computing Centre will in fact not be possible until the latter has been re-equipped, which is not envisaged before the end of 1977.

(47) Item 2320 - Financial charges, bank charges

The bank charges comprise mainly:

- commission on transfers;
- bank charges for postage and carriage, telephone, telex;
- the expenditure of the various banks among themselves;
- VAT on all these operations.

For the 1974 financial year, expenditure amounted to 21,628.50 u.a.; by 30 September of this year it had already reached a level of 23,153.46 u.a., giving an expenditure of approximately 31,000 u.a. for the 1975 financial year. The forecast of 40,000 u.a. for the 1976 financial year is therefore realistic. The regular increase in this expenditure is directly linked with the increasing volume of the Budget and the growing number of transfers between countries.

In any case the departments responsible for accounts supervise and regularly negotiate the volume of

Questions

Replies

this expenditure; they regularly arrange much more favourable conditions with the financial institutes than those normally applied on the market.

This expenditure must nevertheless be compared with our income from banking operations which is entered under Article 950 (income from investments and loans, bank interest and other items). Revenue of 1,500,000 u.a. is forecast under this heading for 1976.

- (48) Item 2321 'Loss on differences in exchange rates'

What is the exact nature of the financial charges represented by 'loss on differences in exchange rates' (expenditure amounting to 3 m.u.a. in 1974)?

- (48) Item 2321 - Differences on exchange rates

The losses and gains on exchange rates results:

- (1) chiefly from the transfers made in the course of implementing the Budget and which are made from the currency of one Member State into the currency of another Member State (Article 38 of the Financial Regulation).

For example: Transfer of £1,000 from Italy to Ireland

- Official IMF parity used in entering the transfer in the accounts:

£1 = Lit 1,500

Therefore £1,000 = 1,000 x 1,500 =

Lit 1,500,000 = 2,400.00 u.a.

- Actual cost of the operation at daily bank rate £1 = Lit 1,561.20

Therefore £1,000 =

1,000 x 1,561.20 =

Lit 1,561,200 = 2,497.92 u.a.

Loss 97.92 u.a.

Questions

Replies

(2) and also from payments made in the currency of non-member countries.

For example: Payment by the Deutsche Bundesbank of US \$ 1,000

- Official IMF parity, i.e., sum entered in the Budget: 1 u.a. = \$ 1.20635
\$ 1,000 = 828.95 u.a.
 - Actual cost of the operation at daily bank rate
\$ 1 = DM 2.471
\$ 1,000 = 1,000 x 2.471 = 675.14 u.a.
- Profit 153.81 u.a.

Pursuant to the provisions of Article 22(c) of the Financial Regulation, when, at the end of the financial year, losses exceed profits on exchange operations, the negative balance constitutes expenditure under the Budget and is entered under (Expenditure) Item 2321, 'Loss on differences in exchange rates'.

If profits exceed losses, the positive balance constitutes revenue under the Budget and is entered under (Revenue) Article 951, 'Gain on differences in exchange rates'.

(54) Chapter 25 'Expenditure for formal and other meetings'

This is high, amounting to 8.5 m. u.a., as against 4.7 m.u.a. in 1974. A substantial proportion of this appropriation covers travel, subsistence and other expenses of government experts attending meetings in Brussels. Would it not be pos-

(54) Chapter 25

(1) Actually the administrations do contribute to expenditure incurred on meetings:- e.g., for the third group of committees (see remarks on Article 251) the Commission pays travel expenses only. It should be noted that the proportion of travel expenses borne by the various national admini-

Questions

sible for national administrations to cover such expenditure, or at least part of it? Some of the individual appropriations seem particularly high, for example:

8,000 u.a. for the annual meeting of Directors-General of national statistical offices, equivalent to close on 890 u.a. (Bfrs 44,500) per director per annum; 54,000 u.a. for participation in the UNCTAD conference; 200,000 u.a. for expenditure on pre-consultation meetings of trade unions in the presence of the Commission.

For years the Committee on Budgets has been asking, to no avail, for a summary together with statistical data on the number of meetings of the scores of working parties and the number of persons attending these meetings.

Replies

strations would be unequal, Rome, for example, being further from Brussels than Paris, and that it is the task of these experts to help the Commission.

- (2) Meeting of the Directors-General of the national Statistics Offices: this Conference requires the presence not only of the Directors-General themselves but also of several officials accompanying them.
- (3) UNCTAD Conference: although the contribution by the Commission to the expenses for this Conference seems extremely high, the following points must be considered:
 - the length of the Conference (May and June 1976),
 - the venue for the Conference (Nairobi),
 - the initial estimate for the Commission contribution which was 200,000 u.a.
- (4) Preliminary consultations with trade unions: the appropriation of 200,000 u.a. is designed to allow the holding of
 - three one-day meetings per month in Brussels, and
 - five two-day meetings per year in other places,involving 24 national trade unionists.
- (5) Working parties: the data currently available is accounting data.

To draw up a significant document which sets out the statistical

Questions

Replies

material relating to all the various groups requires complex work which the Commission will make every effort to undertake in the future.

- (55) Chapter 26 ' Expenditure on studies, surveys and consultations'

The total under this heading of 13 m.u.a. is very high and represents a sharp increase. Moreover, some of the articles (260, 262, 264 (studies)) are imprecise. It seems that these studies are of a highly technical nature and it is difficult to see their connection with the development of the common policies. In some sectors, on the other hand, for example competition (Article 267), the appropriations appear to be inadequate.

- (55) Chapter 26 - Expenditure on studies,
1. A high and rapidly-increasing figure for expenditure on studies:

The average increase for appropriations for studies provided under Chapter 26, as represented in the preliminary draft budget for 1976, is about 15% compared with the financial year 1975. It should be pointed out that the appropriations provided under Articles 260 and 262 have been, in the spirit of budgetary austerity, limited to the strict minimum (8% overall increase).

On the other hand, the increases provided in some budget entries (Articles 261, 264, 265 and 266) are justified by the growth in these fields.

2. Lack of precision of some articles:
Article 260: limited consultations, studies and surveys. This budget entry is intended to cover expenditure arising from the consultation of experts and the carrying out or the purchase of studies and surveys. It should be emphasized that these appropriations are chiefly reserved for the Directorates-General and Departments for whose field of activity no specific appropriations have been provided.

Questions

Replies

Article 262: comprehensive Community studies and surveys. This budget entry is designed to cover expenditure arising from studies covering specific fields connected with research, development and energy policies.

The use to which these appropriations may be put is therefore limited, without being limitative, since they are specifically designed to meet short- or medium-term Community action in a wide range of sectors.

Article 264: statistical studies and surveys. Statistical studies are authorized pursuant to the meticulously prepared programmes drawn up jointly by the Member States in consultation with the Directorates-General and the Departments requiring the information. Experience has shown that these studies are of basic interest to all the Commission's activities.

3. The highly technical nature of the studies whose connection with developing joint policies is not immediately apparent

These studies are an absolutely necessary support for the Commission's Departments:

- either as a supplement for policies which have operational appropriations allocated to them (e.g., Article 266),
- or because they constitute an indispensable tool used in implementing other Community objectives arising in very diverse fields.

Questions

Replies

4. Inadequate appropriations provided for some sectors such as competition - Article 267

It should not be forgotten that Article 267 is a new budget entry designed to cover expenditure arising out of sectoral studies and surveys. In 1975 these studies were charged to Article 260. On the basis of studies completed in this field in preceding financial years, it appeared that an appropriation of 300,000 u.a. would be sufficient.

(56) Article 270 'Official Journal'
From 3,520,000 u.a. to
5,260,000 u.a.?

(56) Article 270 - Official Journal
The breakdown of the appropriation requested for 1976 is as follows:

Currently the average monthly cost of printing the Official Journal is

320,000 u.a. ¹
x 12
3,840,000 u.a.

The rate of increase for the number of pages published is about 13% per year which means an increase of

500,000 u.a.
4,340,000 u.a.

Allowance has been made for prices in the publication sector to increase at a rate of 15% in the coming year, which would mean an additional requirement of

650,000 u.a.
4,990,000 u.a.

The enormous growth of the contents tables also requires an increase of

270,000 u.a.
5,260,000 u.a.

¹ Although the average monthly cost multiplied by 12 currently exceeds the 1975 appropriations, it should be remembered that average expenditure in the first few months of the financial year 1975 was considerably lower.

Questions

- (57) Item 2721 'Participation of the Communities in international exhibitions'
Why is no participation of the Communities in international exhibitions planned for 1976?

- (58) Item 3010 'European Centre for the Development of Vocational Training'

It would be interesting to know, especially as the Centre is one of the new measures taken under the social action programme of 21.1.74, what conditions are envisaged as regards installation, recruitment and operation.

The same applies to:

- the Community documentation and information centre on work done by women (financed under Article 304);
- the European Trade Union Institute (Article 307);
- the European Foundation for the improvement of Living and Working Conditions (Article 359).

Replies

- (57) Item 2721 - International exhibitions

The Commission considers that no international exhibition is planned for 1976 in which it would be worth the Communities participating.

- (58) See reply on following page.

ANSWER TO QUESTION NO. 58

	<u>Installation</u>	<u>Recruitment</u>	<u>Operation</u>
<u>European Vocational Training Centre</u> <u>(Item 3010)</u>	First meeting of the Board of Governors to be held in Berlin on 23 to 24 October 1975, subject to the appointment of the members by the Council in sufficient time, in compliance with its obligations. Provisional premises for several months pending the fitting-out of permanent premises made available to the Centre by the Berlin Senate.	Appointment of the Director and initial recruitment operations: November 1975. Recruitment process to be continued in 1976. Number of staff proposed: 29 plus one Director, of which 13 to be equivalent to category A staff, 12 to categories B and C and 4 local staff.	Transfer of 408,000 u.a. for 1975 authorized by the Council on 29 September 1975. Appropriation for 1976 (1.6 m.u.a.) frozen by the Council under the relevant budget heading pending the presentation of the statement of revenue and expenditure to be drawn up by the Board of Governors. Financial Regulation: the draft drawn up by the Commission will be forwarded to the Council and the Parliament in October. Staff Regulations: being drawn up by the Commission.
<u>European Foundation for the Improvement of Living and Working Conditions</u> <u>(Article 359)</u>	The Foundation will have its headquarters in Dublin. Sufficient progress has not yet been made in the constitution of the Board of Governors to enable a date to be set for its first meeting. It is hoped that the meeting will take place in November.	Appointment of the Director and initial recruitment operations: immediately following the first meeting of the Board of Governors. Recruitment process to be continued in 1976. Number of staff proposed 16 + one Director, of which 6 to be equivalent to category A staff and 10 to categories B and C.	Transfer of 97,000 u.a. for 1975 authorized by the Council on 29 September 1975. Appropriation for 1976 (2.5 m.u.a.) same comment as for the Centre.
<u>Community documentation and information centre on work done by women</u> <u>(part of Article 304)</u>	The decision required prior to the setting-up of this Centre has not yet been taken by the Commission.	Commission staff (DG for Social Affairs).	Unlike the Berlin Centre and the Dublin Foundation, this Centre will be a Commission Department attached to the DG for Social Affairs.
<u>European Trade Union Institute</u>	The trade unions concerned agree that this Institute should be set up and will make premises available to it. The question of where the headquarters should be has not yet been answered.	The Institute's staff (7 to 8 persons) will be provided by the trade unions.	The Commission expects to receive concrete proposals from the European Trade Union Confederation (ETUC) before the end of 1975. The Institute is to be financed mainly from the Budget of the Communities.

Questions

- (59) Article 380 'Services of the Office for Official Publications'

This is a pro-forma entry. Nevertheless, the rate of increase (1974-1.8 m.u.a., 1975 - 2.9 m.u.a., 1976 - about 5.2 m.u.a.) should be explained.

Replies

- (59) The Office for Official Publications works exclusively for the various Community Institutions, which have to pay for the work done for them. To pay their bills the Institutions set aside appropriations - either real or pro forma - under Article 380 of their various budgets. To ensure that the amounts charged by the Office for Official Publications are realistic, the total expenditure incurred by that Office should be covered by its revenue. This is why, when forecasting the work to be done for each Institution in 1976, the amounts were set out in Article 380 of the budget of each Institution. In the past, the expenditure incurred by the Office for Official Publications was covered only in part by its revenue. The adaptation of the appropriations (pro forma in the Commission's case) therefore requires the entry of an appropriation which is considerably larger than the appropriations allocated to Article 380 of the Commission Budget for the previous financial years. On the basis of the 1976 Budget, therefore, all the work done by the Office for Official Publications, which corresponds to the total amount of expenditure, will be invoiced and included in that Office's revenue.

Questions

- (60) Article 410 'Subsidies to institutions of higher education'
In respect of this article, and also Article 411 'Subsidies to European Movements' and Article 413 'Study grants', explanations are required as to the criteria for granting aid and the choice of recipients.

- (61) Article 421 'EEC subsidy for the operation of the European Cooperation Association'
This association was set up in 1969. Information is requested on the staffing levels and establishment expenditure in the period since then.

Replies

- (60) Article 410 - Subsidies to institutions of higher education
(1) Articles 410 and 411: the use of these appropriations requires a formal decision by the Commission in each case in order to ensure that the most justified applications are accepted, the basic criterion on which selection is based being the contributions made to European integration by the various institutions or organizations.
(2) Article 413: decisions relating to the grant of research and study scholarships are taken by a jury which judges the various applications on their merits.
- (61) In accordance with the favourable opinion delivered by the Council on 28 June 1969 when a new association agreement with the AASM was initialled, the Community has undertaken to charge to its operational budget the administrative expenditure incurred by the headquarters of the European Association for Cooperation.
Having entered into this undertaking, the Commission entered subsidies in the Budget as from the financial year 1970.
The breakdown given below indicates the trend of the situations as regards subsidies to and staff (staff employed at the headquarters) of the Association:

QuestionsReplies

<u>Financial Year</u>	<u>Subsidy in u.a.</u>	<u>Staff</u>
1970	385,000	28
1971	433,500	28
1972	540,350	30
1973	643,700	30
1974	661,403	30
1975	962,700	35
1976	1,298,750	40

(62) Chapter 43 'European Schools'

It would be abnormal if Parliament, as a budgetary authority, were merely to take note of the figures arrived at by the Board of Governors after considering each year's budget. Detailed explanations are required, especially in the light of the Audit Board's comments in its 1974 report concerning the extreme complexity of the system of remuneration applicable to teaching staff and the sums available to the Schools from the reserve fund.

(62) This question can be divided into the following two sections:

(a) The first section concerns the special budget system which operates in the European Schools. The distinguishing feature of this budget system is the fact that the Budgetary Authority (Council and Parliament) for the General Budget for the Communities, which contains a subsidy each year for the European Schools¹, does not exercise its normal powers, as it is in fact the Advisory Board which is the Budgetary Authority of first instance in this case.

It must be pointed out, in fact that, pursuant to Article 7 of the Protocol on the setting-up of European Schools of 13 April 1962, the Advisory Board, which is composed of the Ministers of Education of the Member States, approves the part of the budget relating to the European Schools and forwards it to the competent authorities in the European Communities.

The Advisory Board also approves the revenue and expenditure account and gives discharge on the basis of the report from the Audit Board. The budgetary procedure therefore comprises two stages:

¹ Chapter 43 of the General Budget.

Questions

Replies

- the first is at intergovernmental level (Advisory Board),
- the second is at Community level (as the Budgetary Authority - Council and Parliament - is required to approve the subsidy allocated to Chapter 43 and to give discharge with regard to the implementation of the General Budget, which includes Chapter 43).

The Commission noted with interest the comments made in the report on the European Schools system produced in the name of the Committee on Cultural Affairs in the European Parliament (EP 40.058 of 5 June 1975) and the corresponding resolution adopted by the Parliament at its meeting of 22 September 1975.

The Commission does not see any disadvantage in the fact that the report from the Audit Board and the annual report presented by the representatives of the Advisory Board are forwarded to the Parliament, in accordance with its wishes, to provide the latter with fuller information.

However, as far as the root of the problem is concerned, the Commission must stress that this is an institutional matter: should any radical changes in the current system be considered, it would be for the Budgetary Authority itself (Council and Parliament) to draw up proposals for submission to the Governments of the Member States.

- (b) As far as the second part is concerned (request for explanations), it goes without saying that the Commission, together with the Secretariat of the European Schools

Questions

Replies

Advisory Board, is prepared to give detailed information as soon as an indication has been given of the topics on which information is required.

(63) Chapters 50 and 56

(63) See reply on the following pages.

- Details of the financial position of the Social and Regional Funds as at 1 October 1975.
 - Estimates, together with details as to how these were arrived at, of the Funds' financial position as at 31 December 1975.
 - Details should be given in particular as to
 - appropriations committed
 - appropriations paid
 - appropriations carried forward
 - appropriations transferred
- and should show clearly the total appropriations (payment/commitment) that will be available to the Commission in 1976 under the draft budget drawn up by the Council. A comparison should be drawn up between this sum and the applications for aid in 1976 already received by the Commission.

Reply to Question No. (63)

First part: EUROPEAN SOCIAL FUND

A. The financial situation as at 1 October 1975

I. <u>BUDGET APPROPRIATIONS 1974 (m.u.a.)</u>	<u>Chap. 50</u> <u>(Art. 4)</u>	<u>Chap. 51</u> <u>(Art. 5)</u>	<u>TOTAL</u>
(1) Amount carried over automatically from 1974 to 1975	45.47	160.67	206.14
(2) Total of payment orders executed as from 1 January 1975	1.97	6.00	7.97
(3) Applications for payment being examined by the Commission	18.97	102.27	121.24
(4) Total (2) + (3)	20.94	108.27	129.21
(5) Applications for payment still to be received (estimate)	24.53	52.40	76.93
II. <u>BUDGET APPROPRIATIONS 1975 (m.u.a.)</u>	<u>Chap. 50</u>	<u>Chap. 51</u>	<u>TOTAL</u>
(1) Appropriations for the financial year	110.00	245.00	335.00
(2) Non-automatic carry-over from 1974 to 1975 approved by the Council on 22 September 1975	51.36		51.36
(3) Total amount of appropriations available (1) + (2)	161.36	24.5	406.36
(4) Total commitments entered into ¹	76.42	111.76	188.18
(5) Total of payment orders executed as from 1 January 1975	3.93	2.58	6.51
(6) Applications for payment being examined by the Commission	-	2.80	2.80
(7) Total (5) + (6)	3.93	5.38	9.31

¹ Including commitments entered into in 1973 and 1974 relating to appropriations for 1975 (authorization of the commitment of expenditure provided for in Article 104 of the Financial Regulation):

<u>Chap. 50</u>	<u>Chap. 51</u>	<u>Total</u>
38.4	53.4	91.8

Reply to Question No. (63) (cont'd.)

B. Forecasts relating to the financial situation of the Social Fund as at 31 December 1975

<u>I. COMMITMENTS (m.u.a.)</u>	<u>Chap. 50</u> <u>(Art. 4)</u>	<u>Chap. 51</u> <u>(Art. 5)</u>	<u>TOTAL</u>
(1) Appropriations for the financial year 1975	110.00	245.00	355.00
(2) Non-automatic carry-over	51.36		
(3) Total amount of appropriations available (1) + (2)	161.36	245.00	406.36
(4) Commitments as at 1 October 1975	76.42	111.76	188.18
(5) Available balance (3) - (4) to be committed before 31 December 1975	84.94	133.24	218.18
(6) Applications for 1975 still under examination	65.00	245	231.5
(7) Appropriations for which an application for a carry-over might be submitted or which might be cancelled (estimate)	20		20

1. Chapter 50 (Article 4)

The amount still to be committed as at 1 October 1975 exceeds the total amount involved in application still under examination for 1975 by some 20 m.u.a. (see table set out above indicating commitments, items 5 and 6). It is possible that applications might be received later for 'young people'¹ for 1975; this would reduce the available balance. In any case, a large unused balance will remain under Article 4 as a result of the small number of applications submitted for 'young people' for 1975. In view of the amount already involved (280 m.u.a.) in applications for 1976, the Social Fund already plans to request that the unused balance be carried forward to 1976, as the same project is involved and the financial implications for 1975 and 1976 can be estimated only roughly.

In any case, it is certain that the total commitments entered into for 1975 (some 140 m.u.a.) will exceed considerably the amount of the appropriations originally entered in Chapter 50 (110 m.u.a.).

2. Chapter 51 (Article 5)

The applications for 1975 still under examination involve amounts which exceed very considerably the available remainder of the appropriations (table indicating commitments, item 5 and 6). The appropriation can therefore be expected to have been used up entirely by 31 December.

¹ Based on the Council Decision of 22 July 1975 on action by the European Social Fund for young people under 25 years of age who are unemployed or seeking their first employment.

II. PAYMENTS

A. Payments from 1974 appropriations

(1) Basic data:

- (a) Requests for payment totalling almost 77 m.u.a. still had to be made by the Member States on 1 October 1975 (see table 'Financial situation on 1 October 1975', I 1974 appropriations, line 5).
- (b) The requests currently being examined by the Commission exceed 120 m.u.a. (cf. same table, line 4). Time is needed to check whether these claims are accurate and well-founded.

- (2) In view of the facts listed above, a sizeable proportion of appropriations rightly carried over from 1974 to 1975 will be cancelled because requests for payment have been made too late and it will have to be re-entered into the appropriations for the next financial year unless the provisions of the Financial Regulation relating to the Social Fund are amended along the lines requested by the Commission in good time (by granting an additional year to spend appropriations that have already been committed).

B. Payments from 1975 appropriations

The payments already made or under examination on 1 October 1975 totalled less than 10 m.u.a. (cf. table 'Financial situation on 1 October 1975', II 1975 appropriations, line 7).

The payments made or under examination on 31 December 1975 will only reach a small percentage of the total of approximately 380 m.u.a. which will have been committed for 1975 under Articles 4 and 5. The reasons are as follows:

- (1) Few requests for payment were received within the prescribed time limit.
- (2) Because of the time taken up by the necessary controls, priority was given to the payments on appropriations committed under the 1974 financial year; these appropriations will be revoked at the end of 1975 unless there is a corresponding amendment of the Financial Regulation.

C. Appropriations available in 1976

	<u>Chapter 50</u> (Article 4)	<u>Chapter 51</u> Article 5)	<u>TOTAL</u>
(1) Appropriations entered into the draft budget	150	250	400
(2) Appropriations already committed in 1974 and 1975 (up to 1 October) under the system of authorization of commitments (Article 104 of the Financial Regulation)	30.4	35	65.4
(3) Balance available on 1 October 1975	119.6	215	334.6
(4) Requests under ¹ examination on 1 October 1975	280	270	490

1. Chapter 50 (Article 4)

The requests for 'young persons' that have already been received for 1976 alone total 180 m.u.a. Because of the requests that are still to come, the request to make appropriations from Article 4 available for professional retraining schemes made necessary by the crisis and on which the Council is committed to take a decision before 30 November and, finally, other requests for appropriations from Article 4 based on earlier decisions (100 m.u.a. on 1 October 1975), the balance of 120 m.u.a. currently available for 1976 from the appropriation of 150 m.u.a. recorded in the draft budget (cf. lines 3 and 4 of the above table) already fails to cover more than a bare third of the total requests for 1976, as assessed on page 88 of the General Introduction, and this does not take account of the fact that, in the case of the requests for 'young persons', the number of requests received for 1976 is already more than twice as high as the assessment contained in the General Introduction.

2. Chapter 51 (Article 5)

The total of requests under examination (270 m.u.a.) is already considerably higher than the available balance (215 m.u.a.) based on the appropriation reapproved by the Council in the draft budget (250 m.u.a.), cf. lines 3 and 4 of the table above.

Furthermore, a considerable inflow of additional requests will have to be expected (cf. the estimates on page 89 of the General Introduction).

In all, the total requests made for 1976 under Article 5 that are under examination or will be received should be twice as high as the balance currently available on the basis of the appropriation retained by the Council.

¹ Requests already received by the Commission on 1 October 1975 but relating to the 1976 financial year.

Reply to Question No.(63) (cont'd.)

Second part: REGIONAL FUND

Detailed description of the financial situation of the Regional Fund:

(a) Up to 1 October no commitment or payment had been made.

(b) Up to 31 December 1975 the estimates are as follows:

m.u.a.

	Commitments	Payments
1. Appropriations for the financial year 1975	300	150
2. Estimates	300	95
3. Appropriations to be carried over to the financial year 1976	0	55

Remarks: On 14 and 15 October, the Fund Committee will study the applications for aid which amount to 160 m.u.a. A second set of projects will be examined before the end of this year.

(c) No application for aid has yet been submitted for 1976. The draft budget drawn up by the Council has allocated the following in Chapter 55:

appropriations for commitment	500 m.u.a.
appropriations for payment	300 m.u.a.*

* The Council has undertaken to draw up, if need be, a draft supplementary budget to cover payments, should the appropriations for payment be used up by the end of 1976.

Questions

- (64) Item 6010 'Denaturing premiums for wheat mixed in cattle food'
From 1.5 m.u.a. to 26.6 m.u.a.
Virtually no comment. Explanations?

Replies

- (64) Item 6010: Premium for mixing wheat with feedingstuffs
Wheat may be rendered unsuitable for human consumption following a decision taken by the Commission after consulting the Management Committee for Cereals, in one of two ways:
(i) denaturing proper,
(ii) mixing with animal feedingstuffs.
Expenditure on this measure has varied as follows:

Eur "6"	1970	83 m.u.a.
	1971	49 m.u.a.
	1972	70 m.u.a.
Eur "9"	1973	131 m.u.a.
	1974	17 m.u.a.

The Commission has suspended the premiums for denaturing and mixing with feedingstuffs because of conditions on the market for cereals. However, an appropriation of 26.6 m.u.a. has been entered for 1976 to enable about 4 million tonnes of common wheat to be mixed with feedingstuffs to cope with the likely change in market conditions. If the mixing technique were not used additional expenditure would be incurred on storage or refunds.

- (65) Item 6014 'Carry-over payments'
From 1 m.u.a. to 25 m.u.a. Virtually no comment. Explanations?

- (65) Item 6014: End-of-marketing-year allowances
Trend of expenditure:

QuestionsReplies

Eur "6"	1971	5 m.u.a.
	1972	14 m.u.a.
Eur "9"	1973	31 m.u.a.
	1974	4 m.u.a.

As a result of the monthly price variations during the marketing year, prices at the beginning of the following marketing year are lower than those at the end of the preceding marketing year. Assuming that prices stay the same, the difference amounts to 12.6 u.a. per tonne as at 31 August 1976.

To compensate for this loss, end-of-marketing-year allowances may be granted. If they are not granted, holders of stocks would put their cereals under public intervention arrangements, and this would result in an increase in expenditure on this operation.

A total of 1.6 million tonnes of cereals is considered to qualify for these allowances in 1976.

Expenditure on this item was low in 1975 because, as a result of particularly favourable market conditions and as the prices for the 1974-75 marketing year had to be increased for the 1975-76 year, the Commission did not propose to the Council that these allowances be granted.

(66) A few lines of comment are given on some chapters, articles or items, reference being made to Community regulations. For the sake of clarity, would it not be better to use readily more com-

(66) The Commission is prepared to accept the European Parliament's idea of giving a short explanation of the actual measures involved.

Questions

prehensible language, explaining in a few words the content of some articles of the regulations?

- (67) Article 935 'Training of young executives for development aid'
Criteria for financing?

Replies

- (67) Purpose of the measure

To establish a training programme for managerial staff responsible for supervision and cooperation in technical matters who are likely to be employed by the Commission in the associated developing countries. The Commission intends to confine itself to an experimental programme consisting of one course with a training period at the College of Europe in Bruges and a training period overseas. The Community Budget will finance the training period in Bruges, and the EDF will finance the training period overseas which will cover the 1976/77 and 1977/78 academic years.

Financing the operation

The Commission has estimated that the cost of the training period at the College of Europe (Article 935 of the Budget) will amount to 60,000 u.a. It will last six months and thirty trainees will be taking part. This sum of 60,000 u.a. is intended to cover:

- (1) the cost of selecting candidates;
- (2) the training grants for the thirty participants.

Questions

(68) Article 980 'Provisional appropriations not allocated'

Since the appropriations under this chapter to be transferred to other chapters are often very small, is one not entitled to think that an attempt has been made to make some appropriations look more attractive by using wider spacing for the breakdown?

Replies

(68) In accordance with standard Commission practice, efforts are made to keep the total amount of appropriations entered under Chapter 98 as low as possible, for the following two reasons:

- (i) appropriations under Chapter 98 are in fact intended for specific budget headings. Consequently, entering appropriations under this Chapter harms the transparency of the Budget (e.g., to work out the total appropriations for Chapter 43 - European Schools - one has to add the appropriation under Chapter 43 to the relevant appropriation under Chapter 98);
- (ii) the appropriations under Chapter 98 may not be made available until the appropriate transfer procedure has been approved, which inevitably takes time.

However, in accordance with the criterion developed over recent years, the Commission proposes appropriations under Chapter 98 solely to cope with the financial implications of decisions taken by the Budgetary Authority after the Budget has been adopted (i.e., in practice during the year in which the Budget is implemented).

This criterion therefore reflects a desire to respect the prerogatives of the Budgetary Authority, which is called upon to approve the transfer of appropriations in the course of the financial year once the basic decision has been taken.

Questions

Replies

Thus, entering appropriations under Chapter 98 is not a 'conjuring trick', as the tone of Question No. 68 suggests, but rather a piece of foresight used in deference to the Budgetary Authority.

(70) In view of the technical intricacy of calculating the 'relative share' of each Member State, the Commission should cite specific cases of difficulty it has encountered and state how it has solved the problems that have arisen.

(70) Although the calculation of the relative shares is a complex business the Commission has not encountered any practical difficulties so far. However, explanations concerning the method used have been requested by, and supplied to, Council experts on a number of occasions.

(71) On what basis are the standardized statistics provided by the Statistical Office of the European Communities drawn up and who determines the GNP scale applicable in 1976?

(71) Harmonized statistics drawn up by the Member States on the basis of the European system of integrated economic accounts (ESA). These statistics are sent to the SOEC regularly and have a common basis which is harmonized as between the Member States (see the 'European system of integrated economic accounts - ESA', published by the SOEC in 1970).

Questions

(84) The questions in the first part underline the low level of utilization appropriations - extremely modest to begin with - devoted to social policy.

Does the Commission not think that the lack of activity in this sector is due not only to delays by the Member States in submitting requests for aid but also partly to the radical cuts it makes, on the evidence of the tables on pages 88 and 89 of the General Introduction, and partly to an inability to devise and implement more rapid financing procedures?

Why is it not possible to introduce a series of measures that would speed up financing, as was done for the developing countries under the second Yaoundé Convention?

Replies

(84) The Commission assumes that the rapporteur is referring to the appropriations for the Social Fund when he speaks of the poor utilization of the appropriations allocated to social policy. The Commission did indeed encounter two difficulties during the starting-up stage of the New Social Fund: firstly, the appropriations allocated to it by the Council under Article 5 of the Decision of 1 February 1971 proved to be totally inadequate in view of the needs. This state of affairs led the Commission, with the collaboration of the Social Fund Committee, to apply a policy of strict selection to the requests for aid received. It also cannot be denied that if this selectivity allows the Commission to give de facto priority to the most interesting projects - as regards effectiveness and geographical origin - too large a discrepancy between the available funds and the schemes expected would rob the Fund's activities of much of their meaning, as it would make too strict a selection policy less objective. The Commission also encountered a second difficulty: up to the financial year 1974 the appropriations available under Article 4 could not be committed in their entirety for two reasons which are gradually tending to disappear:

Questions

Replies

1. The Council had to make specific decisions to open up Article 4 in order to make it operational. It often hesitated a long time before adopting the proposals to this effect which the Commission forwarded to it. The recent decisions taken on 27 June 1974 in favour of handicapped migrant workers and on 22 July 1975 in favour of young workers¹ have led to the creation of an adequate framework of regulations for the effective application of the appropriations of Article 4. Furthermore, an additional decision on vocational (or 'anti-crisis') retraining is expected between now and 30 November 1975.
2. The public authorities and private promoters have had to make a particular effort to adapt to the conditions for intervention under the Social Fund under Article 4. This adaptation has now taken place but it still implies a delay in implementation. This positive trend distinctly influences the implementation of the 1975 Budget which reveals that the rate of utilizing appropriations is clearly rising. It would reach 100% in the case of Article 5 and 85 to 90% in the case of Article 4. (Utilisation is expressed in the terms of commitments entered in).
- On the other hand there is still the problem of delays in payments on the committed appropriations, leading to the practice of generally carrying forward extremely

¹ Decision of 22.7.1975 (OJ N° L 199/36 of 30.7.1975)

Questions

Replies

high amounts. The Parliament is well acquainted with this problem as it has just given a Favourable Opinion, at its September session, on a draft amendment to the Financial Regulation governing the Social Fund in order to extend the validity of the appropriations carried over. These delays originate firstly from the fact that these appropriations are often committed too late in the financial year, for one basic reason. The Commission is only able to make commitments when it has satisfactory information about the financial means at its disposal - as regards the appropriations of Article 4, the requests to carry over 40.7 m.u.a. for 1974 and 51.14 m.u.a. for 1975 were not granted by the Council until September - and, on the other hand, when it has an exact estimate of the requests that will be forwarded to it during the the whole of the financial year. Committing vast sums at the start of the financial year would mean giving a de facto advantage to projects received at the beginning of the year at the expense of projects submitted at the year-end and therefore subjected to far tighter selection procedure; the result would be discrimination. But the main cause of delay can be attributed to the promoters of the project who, for complex reasons due both to their internal procedure and the framework of national regulations in which they operate, only present their requests for compensation towards the end of the financial year following the one in which they conduct their activities.

Questions

Replies

The Commission has taken, and is continuing to take, a series of administrative measures designed to shorten its own commitment procedure and, above all, to encourage the promoters to submit their requests for compensation as early as possible, cf. the new Article 3 of the decisions of approval since June 1975, which introduce a sort of 'relative' foreclosure as follows: The requests received by the Commission after the above date and which cannot be paid until the corresponding appropriations are cancelled will only be paid when the necessary supplementary appropriations are made available by the Budget or when budgetary funds are still available from the end of previous financial years.

(86) Generally speaking, and particularly in the light of the preceding questions, is it not true to say that the Commission has been forced to increase appropriations in order to guard against liquidity problems in one of these sectors since it has been unable to resolve such problems by means of satisfactory regulations?

(86) No. Besides, Articles 31 - 37 of the Financial Regulation of 25 April 1973 provide for a system of monthly transfers from Member States to the Community Budget in order to be in a position to face up to any cash flow difficulties that might arise.

Questions

Replies

(87) Does the allocation of appropriations between direct and indirect actions (74 m.u.a. and 79.8 m.u.a. respectively) not bear witness to radical changes in the Commission's policy on Community research? Will this trend continue?

(87) Research expenditure

The breakdown of appropriations in the preliminary draft statement of expenditure on research and investment for the 1976 financial year into direct and indirect action is in keeping with the Commission's general research policy.

These appropriations are apportioned as follows:

	<u>Appropriations for commitment</u>	<u>Appropriations for payment</u>
Direct action	73,199 m.u.a.	74,053 m.u.a.
Indirect action	250,584 m.u.a.	79,820 m.u.a.

1. It should be noted with regard to the appropriations requested for direct action that the research programmes authorized in 1973 will be completed in 1976, to this must be added the programmes of activities at the Petten Joint Research Centre which were approved in August 1975 and will be continued in 1976.

The financial repercussions of these programmes which are either being continued or concluded in 1976 are consequently reflected in the 1976 preliminary draft budget.

The Commission is in the process of drawing up new proposals for a direct action programme to begin on 1 January 1977 which will be forwarded shortly to the Council and to Parliament.

2. The large increase in applications for appropriations for indirect action compared with the previous year is mainly due to the financial impact (63.3 m.u.a.) of a number of new proposals for programmes which will continue and intensify research

Questions

Replies

in the field of controlled thermonuclear fusion (building a large Tokamak-type device (JET = Joint European Torus), biology, environmental protection, reference materials and substances and the Dragon Agreement. To this must be added the cost of the R & D programme in the energy field which was approved in August of this year for 1976 (9.5 m.u.a.) and that of the programme on the supervision and storage of radioactive waste (3.8 m.u.a.) which was approved in July.

As the Commission has pointed out on several occasions, these proposals are of particular interest to the Community, particularly the proposed thermonuclear fusion programme which is a cornerstone of energy research.

(88) Parliament has not been informed of the results of the work done by the Commission's Screening Group. Have the results of its work had any practical effect?

(88) The results of the work of the Working Party on the Rationalization of the Departments of the Commission (Screening Group) and the practical consequences of these results were forwarded to the Council during its study of the preliminary draft budget for 1976. The Commission is of course prepared to send these results to the Parliament.

OPINIONS OF THE OTHER COMMITTEES

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COMMITTEE ON SOCIAL AFFAIRS AND EMPLOYMENT

OPINION

for the Committee on Budgets
on
the 1976 draft budget
Commission Section

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The Committee on Social Affairs and Employment requests the inclusion in the motion for a resolution concerned of the following passage, which was unanimously approved at the Rome meeting of 24 October :

Draws the Council's attention to the contradiction implicit in deciding that a steadily increasing number of Community projects be instituted for instance for the benefit of migrant workers, one of the groups most threatened in our present-day society, while at the same time cutting down or even cancelling (item 3052 of the preliminary draft budget) appropriations in this sector, and insists that the Council review its policy in this regard.

Present : Mr Marras, acting chairman; Mr Dondelinger, Mr Albers, Mr Albertsen, Mr Berkhouwer (deputizing for Mr Pianta), Mr Van der Gun, Mr Howell, Mr Rosati, Mr De Sanctis, Mr Santer and Mr Yeats.

COMMITTEE ON AGRICULTURE

OPINION

for the

Committee on Budgets
on the Draft General Budget
of the European Communities
for 1976

Draftsman : Mr N. A. KOFOED

The Committee on Agriculture appointed Mr Kofoed draftsman.

At its meeting of 23 and 24 October 1975 it examined the draft opinion and adopted it by 12 votes in favour, with two abstentions.

Present: Mr Houdet, chairman; Mr Laban, vice-chairman; Mr Kofoed, draftsman; Mr Amendola (deputising for Mr Marras), Mr Bourdelles, Mr Della Briotta, Mr Cifarelli, Mr Concas (deputising for Mr Brégégère), Mr Hansen, Mr Howell, Mr Hughes, Mr Kirk (deputising for Mr Scott-Hopkins), Lord St.Oswald and Lord Walston.

PART I : GENERAL CONSIDERATIONS

Introduction

1. The budget, in laying down annual allocations, provides a most important indication of the main policy outlines to be followed by the Community in the coming financial year. This draft budget for 1976 should be examined in order to establish the extent to which:

- (a) it provides for the requirements of a coherent agricultural policy and the development of a viable agricultural sector;
- (b) it establishes a level of reasonable overall expenditure considering the aims for which it is to be allocated and the resources which the difficult economic climate make available;
- (c) how far the policies to be financed represent the best use of resources available, considering foreseeable market trends and the possible policy instruments available;
- (d) that a proper balance is maintained between the Guidance and Guarantee Sections of the EAGGF.

2. Furthermore, the budget should be examined in the context of schemes put forward for the reform of the Common Agricultural Policy, and in particular the Commission's Communication to the Council on the Improvement of the Common Agricultural Policy¹, which sought amongst other things:

- the scaling down of disequilibria on certain agricultural markets;
- cutting back expenditure under the Guarantee Section of the EAGGF;
- and the effective implementation of a dynamic socio-structural policy.

3. The second important factor influencing the drawing up of the budget must be the general economic climate which demands that the strictest economy is to be followed. This need for financial discipline has been recognised by the Commission and by the Council. Indeed the Council on 22 September 1975 stated that "the economic and financial situation of the Member States of the Community led the Council, during the first reading of the draft budget for 1976, to seek every saving possible in the light of the information available in September".²

¹Doc. 251/73

²See Notice to Members (PE 42.093)

On the other hand, the agricultural budget should not be frozen within a strait-jacket dictated by political considerations. The agricultural sector demands above all a large degree of flexibility and any artificial restrictions would be very destructive to this essential sector and extremely costly both in the short- and the long-term.

4. This problem is thrown into sharp contrast when one takes into consideration the many uncertainties involved in the agricultural sector. Expenditure is determined to a considerable extent by climatic conditions, crop size, as yet unfixed common prices, the situation on the world market and the evolution of the international monetary system. Evaluation of the present budget presents, as in 1975, even more problems than usual. Agriculture in the Community is passing through a very difficult period: exceptionally high increases in production costs, a changing situation on the world market, together with low prices on the Community market for certain agricultural products, require constant adaptation of the instruments of the Common Agricultural Policy.

5. Consequently, any attempt merely to limit expenditure to figures comparable in each sector to that in the previous years is doomed to failure, unless improvements in policy are adopted along the lines suggested by the European Parliament in its opinion on the Commission's communication to the Council on the improvement of the common agricultural policy, and its opinion on the stocktaking of the common agricultural policy ¹. Any limitations imposed at the present would be purely symbolic, since the evolution of the market situation would inevitably lead to supplementary budgets later in the year. Therefore, financial discipline allied to a large degree of flexibility should be the keynote of the present budget.

Budgetary procedure

6. In view of the considerations given above it might have been more appropriate to follow the budgetary procedure adopted in 1975.

Before 1975 the normal practice for the Commission in drawing up its agricultural budget had been to seriously over-estimate expenditure to cover changes in the market situation and increases in prices. This resulted in only 80% of appropriations made available being spent in any year on average. At the request of the Council made on a number of occasions, in 1975 the Commission introduced a new procedure whereby it attempted to calculate much more precisely foreseeable expenditure for the following year. A separate provision in the form of a reserve was then made for the increased expenditure that normally follows the annual fixing of prices. In the event,

¹ Doc. 337/73 and Doc. 115/75.

the Council refused to allow the entry of that sum (fixed at 200 m.u.a.) which resulted in a supplementary budget being required at a later time.

7. The European Parliament has on a number of occasions deplored the practice of introducing supplementary budgets and has recommended¹:

- (a) that the Commission should include a safety margin in calculating expenditure under the Common Agricultural Policy;
- (b) that the Commission and the Council must take decisions affecting expenditure on the Common Agricultural Policy sufficiently early to allow for the most accurate estimate possible on their financial implications.

This is essential if unnecessary supplementary budgets are to be avoided, which make nonsense of original budget proposals.

On the other hand, the safety margin must not be excessive. Nor must the Commission have recourse during the financial year to transfers between chapters of the EAGGF. When in a number of sectors only 80% of appropriations are spent, and large sums (which may represent up to 50% of the entry under a particular item) are transferred from one item to another, the control of the European Parliament over proposed expenditure is reduced to a minimum.

In such a case would it not have been better for the Commission to have followed the practice adopted in 1975 of seeking to calculate foreseeable expenditure as closely as possible, and to have provided for a reserve to finance increased expenditure resulting from annual fixing of prices.

8. This was a conclusion reached in the report drawn up by Mr Scott-Hopkins on the budget in 1975. That opinion also stressed the desirability of the Commission putting forward its budgetary proposals on the basis of forecasts covering three- to four-year periods². This would facilitate long-term systems and continuous assessment of the costs and advantage of those Community policies having financial implications. The determination of the Council to restrict the 1976 budget, as the 1975 budget, as far as possible to the limits of one financial year make the task of drawing up multi-year forecasts impossible.

¹ See opinions drawn up by Mr Vredeling, on the 1973 Budget (Doc. 189/72) and Miss Lulling, on the 1974 Budget (Doc. 231/73 Annex).

² Doc. 350/74, page 39.

GENERAL SUMMARY OF APPROPRIATIONS FOR 1976 & 1975 AND EXPENDITURE FOR 1974

Title Chapters	HEADING	U.A.		
		Appropriations 1976	Appropriations 1975 incl. 1st, 2nd & 3rd Suppl. Budgets ¹	Expenditure 1974 ¹
<u>TITLES 6 & 7</u>	<u>EUROPEAN AGRICULTURAL AND GUARANTEE FUND</u>			
	<u>GUARANTEE SECTION</u>			
CHAP.60	Cereals	714.800.000	576.500.000 ²	457.260.604.82
CHAP.61	Rice	24.000.000	4.700.000	1.199.895.-
CHAP.62	Milk and milk products	1.941.100.000	1.126.850.000 ³	1.247.046.237.44
CHAP.63	Oils and fats	411.300.000	72.025.000 ⁴	336.733.905.40
CHAP.64	Sugar	170.400.000	325.600.000	108.823.052.56
CHAP.65	Beef and veal	679.400.000	795.000.000 ⁵	357.768.406.54
CHAP.66	Pigmeat	69.000.000	55.000.000	67.136.546.26
CHAP.67	Eggs and poultrymeat	24.000.000	16.000.000	16.873.830.12
CHAP.68	Fruit and vegetables	112.800.000	83.500.000	66.905.973.30
CHAP.69	Wine	196.100.000	204.200.000 ⁶	46.965.337.78
CHAP.70	Tobacco	203.300.000	216.400.000	171.108.902.52
CHAP.71	Fisheries	4.000.000	7.500.000	1.169.246.90
CHAP.72	Ethyl alcohol of agricul- tural origin	token entry	token entry	-
CHAP.73	Other common organizations of the market	62.400.000	55.800.000	35.511.698.12
CHAP.74	Refunds on certain goods obtained by processing agricultural products	25.000.000	17.200.000	13.292.787.08
CHAP.75	Accession compensatory amounts granted in respect of intra-Community trade	262.000.000	348.800.000	332.539.590.04
CHAP.76	Expenditure due to the monetary situation	260.700.000	335.400.000	145.930.899.02
CHAP.79	Appropriations for the dis- charge of liabilities from accounting periods prior to 1 January 1971	token entry	token entry	108.328.24
	Provisional commitments to be distributed to budget headings			32.500.000.-
	<u>TITLES 6 & 7 - TOTAL</u>	<u>5.160.300.000</u>	<u>4.240.475.000</u>	<u>3.438.875.241.14</u>

¹ 331.5 mua were carried over from 1974 to 1975. While considered as coming under expenditure for 1974, in reality this sum will be spent in 1975.

² An additional 57.5 mua were carried over from 1974; to be deducted from 1974.

³ An additional 26 mua were carried over from 1974; to be deducted from 1974.

⁴ An additional 190 mua were carried over from 1974; to be deducted from 1974.

⁵ An additional 53 mua were carried over from 1974; to be deducted from 1974.

⁶ An additional 5 mua were carried over from 1974; to be deducted from 1974.

GENERAL SUMMARY OF APPROPRIATIONS FOR 1976 & 1975 AND EXPENDITURE FOR 1974

Title Chapters	HEADING	U.A.		
		Appropriations 1976	Appropriations 1975 incl. 1 st, 2nd & 3rd Suppl. Budgets	Expenditure 1974
<u>TITLE 8</u>	<u>EUROPEAN AGRICULTURAL AND</u>			
	<u>GUARANTEE FUND</u>			
	<u>GUIDANCE SECTION</u>			
CHAP.80	Plans for improving the structure of agriculture provided for in Article 13 of Regulation N° 17/64/EEC	141.200.000	145.140.000	235.000.000.-
CHAP.81	Joint structural schemes under the Council Resolution of 25 May 1971	91.000.000	66.500.000	3.330.000.-
CHAP.82	Joint schemes in the marke- ting and processing of agri- cultural products (under the Council Resolution of 25.5.1971)	1.500.000	400.000	150.000.-
CHAP.83	Joint schemes in particular sectors	71.300.000	78.960.000	5.048.856.76
CHAP.87	Appropriations to cover ex- penditure on joint schemes and particular measures	-	-	-
CHAP.88	Appropriations set aside from previous financial years to finance the expenditure under Chapters 81 - 83	token entry	token entry	-
CHAP.89	Special measures	20.000.000	34.000.000	20.016.494.84
	<u>TITLE 8 - TOTAL</u>	<u>325.000.000</u>	<u>325.000.000</u>	<u>263.545.351.60</u>

PART II : GUARANTEE SECTION

Appropriations for EAGGF, the Guarantee Section

9. As in 1975 the present budget has been drawn up in a spirit of strict economy. It is almost certain that it will present the same disadvantages as the previous budget, in that it will require supplementary budgets that will extensively re-write the document presented at this time. For example, it is unlikely that expenditure in the beef section will be contained within the sums provided for.

10. Moreover, no new policy directions are evident. The absence of any forward looking proposals or the adoption of new policy instruments is made clear if one examines the new items entered. Those for which no appropriations are provided far outnumber those for which entries are to be found :

(a) New Items not giving rise to expenditure :

- 6219 Intervention in respect of skimmed milk
 - other intervention
- 6229 Intervention in respect of butter and cream
 - other intervention
- 6239 Intervention for other milk products
 - other intervention
- 6415 Intervention for sugar
 - to cover expenditure on sugar import subsidies under Article 16 of Regulation 1009/67/EEC and Article 17 of Regulation 3330/74
- 6919 Intervention for wine
 - other intervention, to finance :
 - (i) intervention measures under Article 33 of Regulation 816/70 for products other than table wine;
 - (ii) exceptional measures in the event of emergencies under Article 38 of Regulation 816/70;
 - (iii) aid in respect of products of the Cyprus Sherry category exported to the United Kingdom and Ireland under Regulation 3298/74.

(b) New Items giving rise to expenditure

- 6311 Intervention for olive oil
 - other intervention, to finance granting of production refunds on olive oil to make preserved fish and vegetables 500,000

6414 Intervention in respect of sugar

- to subsidise sugar produced in French overseas departments,
Regulation No 239/73 3,600,000

682 Intervention on processed products

- to cover aid for tinned pineapples under Regulation
No 1929/75 2,400,000

11. The overall budget for the Community for 1976 has been set by the Council at 7,328,680,178, an increase of 8.5%, as opposed to an 18.9% increase in 1975. The agricultural budget, at 5,485,300,000 in 1976 shows a relative increase for the first time in a number of years; whereas the Council has sought to reduce expenditure from the Commission's preliminary draft on the Regional Fund and the Social Fund. The steady trend to decrease the relative share of agriculture in the Community budget, to be observed over the last few years, has been halted.

This step away from the decreasing budgetary importance of agriculture is likely to be criticised by many. However, it must be evident that this is not due to extraordinarily large expenditure on agriculture but rather to extremely limited expenditure on other policies in force, notably the Regional and Social Funds; and the Council's unwillingness to see an extension of activities in these areas.

Increasing Imbalance of expenditure between the Guidance and Guarantee Sections

12. The increase in the agricultural budget is due entirely to an increase in allocations for the Guarantee Fund, since those for the Guidance Section are limited by a ceiling of 325,000,000 u.a. Thus, the imbalance between these two sections is growing, and is emphasised even further by the non-utilisation of allocations entered for the Guidance Section. This imbalance must be corrected, and it is up to the Council to agree on proposals submitted by the Commission and for Member States to implement the necessary legislation to allow allocations to be spent. Otherwise the Mansholt Reserve Fund will continue to be inflated with appropriations that are eaten away by inflation.

Payments from the Guarantee Section

13. Over the past few years there has been a sharp decline in expenditure on certain sectors due to the pattern of Community and world prices. In the cereals, rice, oil seeds and sugar sectors, Community and world prices have been high, reducing the need for extensive expenditure on intervention buying,

export refunds and denaturing premiums. In the milk and milk products sector stocks have been gradually reduced also resulting in a fall of intervention expenditure.

Moreover, owing to the system of budgetary centralisation combined with decentralisation of individual payments through national bodies, time lags have appeared between operations and payments. This results in accumulated arrears in payments, notably for durum wheat, olive oil and tobacco, leading to savings for these sectors in individual budgets.

14. On the other hand in the sugar sector very expensive import subsidy schemes were put into effect in 1975 which resulted in extraordinary expenditure to the amount of 183 m.u.a. In the beef and veal sector, the collapse of the Community market has led to the introduction of special intervention measures and a fall in the value of intervention stocks of meat, and an increase in expenditure. In the tobacco sector, recoupment delays in the payment of premiums and losses of export sales of tobacco held in intervention have led to increased expenditure. For the coming year it must be expected that the increasing stocks of skimmed milk powder and casein will lead to considerably increased expenditure on these items.

15. The Commission delayed until the last moment the introduction of its preliminary draft agricultural budget in order to take into account the latest market trends and forecasts. Yet it is difficult to understand the very substantial increases in appropriations put forward for the cereals, rice and oils and fats sectors. In each of these international demand continues to hold strong, world prices remain at reasonable levels so that no extensive intervention payments or export refunds should be required.

16. These remarks should not be taken to imply that the agricultural budget should be reduced. Rather than the balance of expenditure within the EAGGF should be improved. It appears that the Commission, in its anxiety to defend its present financial position, has not had the courage to be sufficiently flexible in its approach. This results in over-generous entries for certain items and reductions where additional expenditure would be more appropriate. We can examine this sector by sector.

Cereals and rice

17. Despite the continuing high world prices, low North American stocks and moderate harvests, appropriations for cereals have been increased from

576,500,000 in 1975 to 714,800,000. In particular, it is difficult to understand the necessity to include 26,600,000 for denaturing premiums, even though part of this item is intended partly to cover outstanding payments. In order to curb increasing expenditure in this sector a review should be made of a system of guarantees offered which lead automatically to increased production and expenditure from the budget.

18. Moreover, the figure entered under aid for durum wheat seems excessive at 179,200,000, as opposed to 86,000,000 in 1975, despite the Commission's optimism that arrears in payments for Italy will finally be met.

19. Similar considerations apply to refunds on rice, increased from 1,000,000 to 21,510,000.

Oilseeds

20. While increases in expenditure on production aids can be anticipated following price decisions, it is difficult to understand the necessity for that on refunds to be more than tripled, in view of the buoyant world market prices.

Sugar

21. Appropriations for sugar have been considerably reduced from those entered for 1975 following the third supplementary budget : 170,400,000 instead of 325,600,000. However, the greater part of that expenditure - 180,000,000 - had been due to very expensive subsidised import operations which should not be required in the year to come. Moreover, a figure of 34,810,000 has been entered under refunds for sugar whereas on the basis of the actual expenditure for previous years (8,010,081 in 1974 and 9,275,000 in the first nine months of 1975) it would appear that this figure could be reduced by half.

Milk and milk products

22. Appropriations in this sector have been increased from 1,126,850,000 in 1975 to 1,941,100,000, or 42% of the agricultural budget. Such an increase is justified in terms of the present price relationships by the very serious surplus in skimmed milk powder and its products. An extra 400 m.u.a. is required for this alone. This offsets savings that would normally have been made in view of the lower stocks of butter and reductions in food aid programmes.

23. No easing of the situation with regard to accumulating stocks of skimmed milk products can be anticipated in view of the aggressive export policies of major dairy producers, such as New Zealand, who are depriving Community producers of their traditional export markets.

24. Three steps might be taken to limit the budgetary consequences of this situation :

- (a) revise the newly introduced rule whereby only casein from intervention stocks may receive export refunds which has hit private exporters; one can cite in particular the case of Irish exporters in their traditional Mexican market;
- (b) revise price relationships, so as to discourage further stocks of skimmed milk products, and encourage the feeding of liquid milk directly to animals.
- (c) increase food aid, particularly appropriate in view of the protein shortages experienced in the developing countries.

Beef and Veal

25. The state of crisis in this sector characterised by exceptionally low prices is likely to continue into 1976. The likelihood of further heavy intervention buying cannot be excluded. There has been little variation in cow numbers but a large reduction of calf slaughterings in 1974. Calves not slaughtered will reappear as adult bovines in 1976 and 1977. Assumptions should therefore be based to a large extent on the situation in 1975.

26. To deal with such a situation, the draft budget contained reduced appropriations for 1976 from 795,000,000 to 679,400,000.

Such a reduction would appear to be unjustified. In particular, it would appear to be unwise to reduce appropriations for premiums for orderly marketing and slaughtering of beef cattle (from 253,000,000 to 88,800,000). Furthermore, a token entry is given for aid for social purposes. In the present situation measures to encourage consumption would seem to be required, be they in the form of subsidies to consumers or campaigns to encourage consumption. This is particularly true if one bears in mind the losses sustained by the EAGGF on sales of beef and veal from intervention stocks. Increases in expenditure in this sector must be expected if the prices to be agreed on for the following year rise substantially; it must be expected that they will because of the political pressure that has built up following two years of low prices.

Fishery products

27. The fishing sector has been faced with a serious crisis due to increased costs and heavy imports. Expenditure on this sector rose sharply in 1975, and the proposed reduction (from 1,000,000 to 2,500,000 u.a.) would appear to be unrealistic in view of this situation.

New measures anticipated

28. It is the philosophy underlying the drawing up of the budget that measures anticipated or even already under discussion by the Council should not be included in the oncoming budget. (This general rule does not always hold good, and a number of entries, particularly in the Guidance Section, are made in anticipation).

29. Therefore note should be made of a number of measures under consideration which may modify present forecasts of expenditure :

- a common organisation of the sheepmeat market;
- a common organisation of the potato market;
- special intervention measures for grapes;
- the creation of a minimum 10% sugar stock;
- and premiums for reconversion of land use in the wine sector.

Compensatory amounts

30. Fluctuations in exchange rates continue to bedevil the CAP and no relief can be anticipated from the heavy expenditure involved, even though appropriations for accession compensatory amounts and monetary compensatory amounts have been reduced from 348,800,000 to 262,000,000 and 315,400,000 to 170,500,000 respectively.

31. The European Parliament has repeatedly stressed the grave consequences for European agriculture of monetary fluctuations, and has urged with force that progress in the coordination of economic policies must be made to prevent the fragmentation of the Common Agricultural Policy.

Agricultural v. non-agricultural expenditure

32. The backcloth to the drawing up of the present budget has been the economic crisis facing Europe and the need to limit expenditure. In consequence, pressure has been exerted to reduce appropriations to the EAGGF.

33. In such a situation it is appropriate to ask the extent to which expenditure charged to the EAGGF is concerned basically with the agricultural sector.

Considerable expenditure has been made on monetary compensatory amounts which are due to the instability of the currencies of the Member States and do not benefit European agriculture. In 1975, very expensive operations were carried on to subsidise imports of sugar for the consumer.

34. Consequently, where expenditure is in no way due to European agriculture or does not benefit the farmer, it should be entered under budgetary chapters outside those covered by the EAGGF.

PART III : GUIDANCE SECTION

35. The Committee on Agriculture has stressed continually the need to alter the balance of expenditure under the EAGGF in favour of the Guidance Section. Only through the creation of an efficient agricultural structure can excessive expenditure for the Guarantee Section eventually be limited.

However, if one takes appropriations which have been actually spent, only 4 m.u.a. out of 4,000 m.u.a. go on structural measures. This is completely out of proportion. There are four problems raised here.

Ceiling on Guidance Section

36. The ceiling on expenditure from the Guidance Section is fixed from year to year, whereas that for Guarantee can increase without limit. This problem is even more serious in view of the fact that it relates to appropriations and a substantial proportion of these remain unspent each year. The ceiling is therefore far more restrictive than it would appear to be.

Delays in the Council

37. This problem is compounded by delays in the Council in the adoption of measures forwarded to the Council and upon which decisions have yet to be taken, and in particular :

- areas afforested to improve agricultural structures;
- special aid to young farmers;
- groups of producers and their associations.

Until such proposals, a number of which have been under consideration for a considerable period, have been agreed upon, the annual ceiling on expenditure will not be reached and the Mansholt Fund will remain untouched.

Delays in implementation by Member States

38. An equally important problem is raised by delays in the implementation by Member States of proposals which have been adopted by the Council, and in particular joint structural schemes for the modernisation of farms, cessation of farming and re-allocation of land for structural improvement, and guidance and vocational training. Until implementing legislation is passed by Member States payments cannot be made. This is an extremely important problem since allocations have been entered and unless spent will merely inflate the Mansholt Fund, while at the same time depriving individual projects of finance which would have been available.

Individual Projects

39. 141.2 m.u.a. have been entered for individual projecting, constituting the balance (in accordance with Regulation 729/70, Article 6(4)) between appropriations annually available for the Guidance Section and the forecasts of expenditure for the joint schemes and the particular measures.

40. As a result of delays in decision by the Commission on applications for aid, due to lack of staff, it has never proved possible to commit all the funds available. The European Parliament has called upon the Commission to make financial allocations available to allow for the recruitment of the necessary staff⁽¹⁾.

Mansholt Fund

41. Since 1969, in accordance with a decision of the Council, a fund of 525,991,664 u.a. has been put into reserve for the financing of joint projects within the meaning of Regulation 729/70, Article 6(4), to be used when appropriations established have been exceeded. Parliament has asked repeatedly over the past years for these allocations to be made available in toto for the purposes of reform. The juridical basis of this reserve is still far from being satisfactory. Indeed, in 1975, 125 m.u.a. were transferred from this Fund to the Regional Fund. This reserve will be increased by allocations not spent during the present year.

42. A second reserve fund of 50 m.u.a., that for priority agricultural regions, still appears to cost despite the fact that 125 m.u.a. originally held in reserve were transferred to the Regional Development Fund, and that the Council has to agree on the draft regulation presented to the Council in June 1971. It is nonsensical that appropriations should be left in a vacuum in this way. Decisions should be taken, either to give effect to this draft regulation, or to make these appropriations available for guidance measures already in force.

43. Clearly neither the 325 m.u.a. for the 'Guidance Section' in 1974, nor the two reserve funds will be spent in 1975. Decisions must be taken with the shortest possible delay on the implementation of the provisions for joint structural schemes adopted by or before the Council. Though the allocations are minimal, they represent a first essential step.

Beyond this, the allocations in the reserve funds must be committed, before they are eroded even further by inflation. One cannot allow such important allocations to melt away, while at the same time advocating financial stringency.

44. Once again Parliament must constantly urge that an effective structural policy be put into force for budgetary as well as market reasons.

⁽¹⁾ Report by Scott-Hopkins (Doc. 199/73)

Conclusions

45. The present budget has been drawn up against a background of demands for financial stringency. This has led the Commission to adopt a defensive and cautious approach in setting out estimates of expenditure.

On the one hand, where cuts in expenditure have been possible on items not concerned with intervention, they have been made, as for example premiums for the orderly marketing of beef cattle, aid for consumption of beef by certain social groups and on joint structural schemes.

Such cuts are ill-advised since in the longer run they will lead to greater amounts being spent on intervention measures than have been saved in this particular budget.

46. On the other hand, in order to defend its financial flexibility, the Commission has left very wide margins for error in all estimates on expenditure put forward. In a number of cases, particularly with regard to the cereals, rice, sugar and oil seeds sectors, the Commission and Council have provided for appropriations so generous in level that any real form of budgetary supervision on the part of the European Parliament is obviated.

47. The Committee on Agriculture must state most emphatically that the procedure adopted for the 1975 budget is to be preferred, by which the Commission attempts to estimate as closely as possible future expenditure, while entering a reserve to cover price adjustments and even foreseeable market trends.

48. The system which the Commission has reverted to this year, that of allowing for margins of error of 20% or more, cannot be accepted. But it must be realised that much of the fault must be placed at the feet of the Council, who struck out the special reserve to cover price increases asked for by the Commission in its preliminary draft of the 1975 budget.

49. The Commission, in its cautious approach, has not adopted a sufficiently flexible position in adjusting the pattern of appropriations to those sectors in particular difficulty or where strong pressure for price increases can be anticipated; one can refer here in particular to the beef and fisheries sectors.

The Commission appears to have based its budgetary estimates to an excessive degree on internal Community production and demand forecasts, without taking into consideration world prices, and it is world prices that directly determine levels of expenditure on export refunds, and indirectly influence costs as well as demand for Community produce.

50. No new lines for policy can be discerned in this budget. Indeed, the Commission and Council appear to be moving away from new instruments which have proved their worth in the past year, and in particular premiums for the orderly marketing of beef and aid for 'social' beef.

It should be noted that real adjustment of expenditure will not be possible until the present system of automatic guarantees, which lead inevitably to increased expenditure, are reviewed, particularly in the cereals sector. Short term adjustments are extremely expensive, and more fundamental adjustments to policy instruments are required. Price policy alone is not a sufficient instrument, since it leads :

- either to surpluses requiring costly intervention;
- or to a reduction in production which can only be mobilised once more at great expense.

51. The Committee on Agriculture has stressed repeatedly that four stages are necessary :

- (a) the creation of an improved statistical base for market policy;
- (b) the improvement of marketing networks;
- (c) the examination of a degree of co-responsibility on the part of the producer, which implies a greater voice for the producer in market management as well as financial responsibility, as proposed by the Commission in its memorandum on the Improvement of the CAP,
- (d) development of a comprehensive stocks policy.

52. Finally, the balance of expenditure in the EAGGF must be shifted in favour of the Guidance Section and structural policy, and not the reverse as is the present case. Part of the responsibility lies with Member States for not implementing directives on joint structural schemes adopted by the Council. Equally, the Council must come to a decision on proposals before it and in particular those relating to afforestation to improve agricultural structures and special aid to young farmers.

53. The greater proportion of expenditure within the Guidance Section has been on individual projects under Article 13 of Regulation No 17/64/EEC. These projects have played a very valuable part in improving agriculture, and many have been refused due to lack of appropriations entered for this item. In this situation, those appropriations entered under other items which will remain unspent should be transferred to the individual projects, and in particular 50 m.u.a. left in reserve for development operations in priority agricultural regions (a decision by the Council to adopt the draft regulation is

extremely unlikely). The Commission should also examine the degree to which appropriations entered for premiums to build up livestock herds will be employed, so that appropriations remaining may be transferred to individual projects rather than to the Mansholt Fund.

COMMITTEE ON REGIONAL POLICY AND TRANSPORT

OPINION

for the Committee on Budgets

on the draft general budget of
the European Communities for the
financial year 1976 -
Chapter 55 - European Regional Development Fund

Rapporteur: Mr DELMOTTE

On 30 September 1975, the Committee on Regional Policy and Transport appointed Mr Delmotte draftsman of an opinion.

At its meeting of 21 and 22 October 1975 the committee considered the draft opinion and adopted it unanimously.

Present: Mr McDonald, chairman; Mr Delmotte, rapporteur; Mr Albers, Mr Corrie, Mr Ellis, Mr Giraud, Mr Hamilton, Mr Mitterdorfer, Mr Osborn, Mr Schwabe.

I. Introduction

1. The draftsman of the opinion of the Committee on Regional Policy and Transport draws attention to his previous opinion of 22 October 1974 (PE 38.473/fin.) on the draft general budget of the European Communities for the financial year 1975 in which he commented on the long period of uncertainty following the decision by the Paris Summit Conference in October 1972 regarding the establishment of the European Regional Development Fund.

The Heads of State or Government, wishing to work towards a Community solution to regional problems, invited the Community Institutions to set up a Regional Development Fund by 31 December 1973. The regulation setting up the Fund was not adopted by the Council until 18 March 1975¹. This caused a delay in intervention under the Fund in the first year.

II. Economic background

(a) Objectives of growth

2. The draftsman of the opinion takes the view that at a time when economic growth is not an end in itself, but is aimed primarily at harmonizing standards of living, the effect of Community measures should not be to encourage the attraction of wealth to areas that are already prosperous.

The Fund should contribute towards ensuring the survival of regional communities.

(b) The downturn in economic activity

3. The present downturn in economic activity, which is particularly affecting the least favoured regions of the Community, mainly as a result of the slackening of investment, makes it all the more necessary and imperative for the Community to act.

National regional policies must be supplemented and reinforced to prevent the exacerbation of the structural imbalances that are affecting the Community.

(c) Economic planning

4. It is important to remember that economic development is not always a spontaneous and independent process; it must be promoted through development programmes extending over long periods and taking into account all aspects of the socio-economic structure of the region. Tangible results from the implementation of the Regional Development Fund can be

¹ OJ No. L 73, 21 March 1975, p.1

expected only in the long-term.

It should therefore be possible to subsidize multi-annual programmes from the Fund throughout the period of their implementation.

5. This need to ensure the continuity of aid for the pluriannual programmes must not lead to a limit on the number of programmes selected with a view to stretching limited credits over a greater number of years. On the contrary, the number of development programmes financed by the Fund must be stepped up through a progressive increase in the available credits.

177. Utilization of funds

6. As regards the amount to be allocated to the Fund, it should be noted that the European Parliament's Committee on Regional Policy and Transport has always taken the view that if aid from the Fund is to be effective it must be incorporated into regional development programmes.

In the initial phase, and until these programmes have been evolved (by the end of 1977 at the latest), the purposes to which the available funds are allocated and their careful utilization are as important as the amount of the resources.

7. Two major obligations therefore devolve upon the Commission, with the assistance of the Fund Committee, in the immediate future:

(a) 'Supplementary' aid

The eleventh recital of the regulation establishing the Fund provides that 'the Fund's assistance should not lead Member States to reduce their own regional development efforts but should complement these efforts'.

Community funds, whatever the amount available, will be ineffective if used as a substitute for national aid.

The Commission must therefore ensure that Community funds are put to the correct use and penalize any cases of misuse.

(b) The quality of projects

Community funds must be used judiciously in view of the specific nature of the development process. Aid should be an incentive to autonomous long-term development.

The Commission must assess the quality of projects submitted to it in the context of balanced overall development programmes.

IV. Initial proposals regarding the size of the Fund (see ANNEX)

8. Initially, in July 1973, the Commission, supported by the European Parliament, proposed that 2,250 million u.a. should be allocated to the Regional Fund for 3 years, i.e. 500 million u.a. for 1974, 750 million u.a. for 1975 and 1,000 million u.a. for 1976.

In 1974, the Commission included in the preliminary draft budget for 1975 the sum of 650 million u.a. for the first year of operation.

9. In October 1974, the Committee on Regional Policy recommended that a smaller appropriation of 300 million u.a. be made available, to enable the Fund to be brought into operation as soon as possible.

The committee was aware that the discussions regarding the amount to be allocated to the Fund had prevented the Council from taking a decision on the establishment of the Fund within the specified time-limit.

10. This was an initial appropriation for the Fund's first year of operation. This sum was regarded as a minimum considerably lower than the appropriations proposed by the Commission and originally requested by the European Parliament.

Furthermore, on the basis of the Commission's original proposals, approximately 50% of the Community's territory would qualify for aid from the Fund. In view of the reduction in the resources available, the European Parliament felt that there was even more reason to oppose the wide dispersal of aid and that it should be used for priority objectives in the Community regions most in need.

V. Amounts fixed by the 1974 Paris Summit Conference and in the first 1975 budget

11. The Paris Summit in December 1974, on a proposal from the Commission, also decided on the sum of 300 million u.a. as the initial appropriation for 1975 and 500 million u.a. for each of the two subsequent years (a total of 1,300 million u.a. for the first three years).

The Summit proposed that this appropriation should be divided between all the Member States on the basis of a scale fixed in advance which the Committee on Regional Policy and Transport has already had occasion to criticize.

The delay by some Member States in submitting applications for assistance from the European Regional Development Fund in 1975 also shows that for certain Member States Community aid is relatively less essential and urgent than for others; this has always been affirmed by the Committee on Regional Policy and Transport which has sought to establish priorities at Community level.

12. In the first supplementary budget for the financial year 1975 relating to the European Regional Development Fund, the Council entered 50% of the 300 million u.a. total (i.e. 150 million u.a.) in payment appropriations.

The Council considered that payments for the first year - of which almost six months had already elapsed - could not be as high as originally anticipated. In view of the delay in the Fund's becoming operational, the European Parliament accepted the breakdown of the 300 million u.a. proposed by the Council.

VI. The distinction between commitment appropriations and payment appropriations

13. It should be noted that the third recital of the financial regulation relating to the special provisions applicable to the European Regional Development Fund provides that the implementation of the investment to be subsidized may be extended over several years.

This financial regulation, like the regulation establishing the Fund (in Article 2(3)), provides for the inclusion in the budget of commitment appropriations and payments appropriations for the current financial year.

Commitment appropriations represent the maximum expenditure to which the Commission is authorized to commit itself in a financial year. Appropriations not committed in the year may be carried forward to the next two financial years.

Payment appropriations represent the maximum expenditure which may be authorized or paid during the financial year (in respect of commitments for that year or for previous financial years).

14. As explained in Section II, which deals with the economic background, the object should be to provide aid covering several years and to offer the maximum possible immediate assistance to regions in difficulties.

This can only be achieved by a progressive increase in the endowment of the Fund, enabling commitments for the next few years and payments for urgent interventions to be stepped up.

The endowment of 1,300 million u.a. provided for three years must on no account remain unspent for a much longer period. At the end of the three year initial period, a new and larger endowment must be available for subsequent years.

VII. The Commission's proposals for the 1976 Budget

15. The draft general budget of the European Communities for the financial year 1976 must be considered in the light of the above observations.

The increase over 1975 should be substantial since that was a very short introductory year and the Community's action in the field of regional policy will have to be intensified.

16. The Commission, in preparing its estimates, had to allow for additional appropriations as a function of the decisions already taken by the Council and the Paris Summit.

- (a) The regulation establishing the Fund requires the Commission to include 500 million u.a. in commitment appropriations for the financial year 1976;
- (b) In view of the need to make progress in comparison with the first six months of operation, the Commission felt that the payment appropriations should correspond to 60% instead of 50% of the commitment appropriations (60% of 500 million u.a., i.e., 300 million u.a.);
- (c) In 1975, payment appropriations (150 million u.a.) accounted for only 50% of the commitment appropriations (300 million u.a.). The balance should therefore be included in the 1975 budget as payment appropriations (150 million u.a.);
- (d) The Commission has thus made provision in all for 450 million u.a. by way of payment appropriations (1975 balance : 150 million u.a. + 60% of the 1976 commitment appropriations: 300 million u.a.).

17. Up to 1977, estimates of expenditure will be based on the commitment appropriations provided for in Article 2 of the Regulation on the Fund and on the estimated rate of payment.

The Commission has assumed that the payments would cover approximately 50 to 60% of the commitment appropriations for the financial year, and the balance of the commitment appropriations from the previous year. The resulting payment appropriations are : 150 million u.a. for 1975, 450 million u.a. for 1976 and 500 million u.a. for 1977.

In the last financial year, 200 million u.a. would remain by way of commitment appropriations. For the three years, 1,100 million u.a. would then have been entered as payment appropriations, and 1,300 million u.a. as commitment appropriations.

18. In its preliminary draft budget, the Commission has therefore entered 450 million u.a. as payment appropriations for the year 1976, bearing in mind not only the payments which should be made in that year on the basis of the 500 million u.a. commitment appropriations to be used in it, but also a part of the payments which would be due by virtue of the commitments made in 1975.

This forecast by the Commission was made at a time when operations of the regional development fund had not yet begun.

It therefore seemed necessary, in the light of the requests which have been submitted for assistance from the Fund, to ask the Commission whether the initial intention of entering 450 million u.a. by way of payment appropriations for 1976 should not now be corrected, and if so to what extent.

At the meeting of the Committee on Regional Policy and Transport on 21 and 22 October 1975, the Commission confirmed that the first tranche of aid allocated on 16 October was for an amount of 160.6 million u.a., of which 93.9 million u.a. were payment appropriations for 1975. The second tranche is to be allocated in December. It is therefore probable that the 150 million u.a. provided for in the 1975 budget as payment appropriations will be spent by the end of the year.

In the light of this experience, the Commission recognized that, in 1976, greater efforts will have to be made to ensure that contributions are made from the regional fund for new projects covering a number of years. Provision will therefore have to be made for the spread of payments over several financial years by making a slight reduction in the rate of payments as against commitments initially laid down by the Commission in its preliminary draft budget for 1976.

VIII. Critical review of the Council's proposals

19. As the Council was unable to reduce the commitment appropriations fixed by the Paris Summit and laid down in the regulation setting up the Fund, it decided to make a steep reduction in the rate of payments as against commitments proposed by the Commission.

The 300 million u.a. payment appropriations entered by the Council for 1976 include in principle payment appropriations for commitments made during the 1975 financial year and totalling 150 million u.a. This leaves only 150 million u.a. for payment appropriations for commitments in the 1976 financial year. This represents only 30% of commitment appropriations for the year. This coverage of commitments by payment appropriations is significantly lower than the 50% approved by the Council for the first year and the 60% proposed by the Commission for 1976.

20. The Council felt that the rate of payments estimated by the Commission for 1976 could not be attained, in the light of the delays experienced in 1975.

But the Council did undertake to establish if necessary a supplementary draft budget to ensure payments if the payment appropriations proved insufficient at the end of 1976.

21. In the section dealing with the economic background and the utilization of the funds, we have seen that intervention must be provided over a period of several years and maximum aid granted immediately to regions experiencing difficulties. Payments should therefore to some extent be spread over a number of years while at the same time priority should be given to immediate payments to offset the effects of the economic crisis on the less-favoured regions.

22. The amount of the 1976 commitment appropriations (500 million u.a.) fixed by the Summit and the Regulation setting up the Fund reflects a clear desire to increase Community resources during the Fund's second year of operation (this amount is almost twice that of the first year).

However, by reducing the rate of payments as compared with the first year and with the Commission's forecasts for the second year, the Council has limited the increase in payment appropriations which should naturally have resulted from the increase in commitment appropriations in 1976.

In addition, contrary to the Council forecasts, it appears that all the payment appropriations entered in the 1975 budget will be spent. There should not therefore be an excessive reduction in the rate of payments as against commitments adopted in 1975, which was the starting-up year and somewhat curtailed.

The need for immediately stepping up Community action in regional matters has led the Committee on Regional Policy and Transport to propose that 375 million u.a. be entered as payment appropriations for 1976 (which represents a 45% coverage of commitments by payment appropriations).

This meets our medium and short term objectives, our twofold desire to give immediate help to the least favoured regions to cushion the effects of the downturn in economic activity and prevent imbalances growing worse, and to do so effectively through multiannual development programmes.

23. However, with the information available, it is difficult to assess the financial requirements of the Fund in 1976 and to determine exactly whether the sum of 375 million u.a. will meet these requirements. The Committee on Regional Policy and Transport therefore proposes that 75 million u.a. be entered under Article 98, making it clear that these are provisional appropriations for Article 550: 'European Regional Development Fund'.

IX. The classification of appropriations as non-compulsory expenditure

24. In the procedure in respect of Supplementary Budget No. 1 for 1975 relating to the Regional Fund, the European Parliament already classified the appropriations concerned as non-compulsory expenditure. Although unable to reach agreement with the Council on this point, the European Parliament, when adopting the budget, established the resulting 'new rate'.

In accordance with the position it had already adopted in the debate on the 1975 budget and Supplementary Budget No. 1, the Commission classified appropriations for the Regional Fund as non-compulsory expenditure in the preliminary draft budget for 1976.

(a) The distinction between modifications and amendments

25. The implications of the classification adopted as regards the budgetary procedure and the European Parliament's powers must be explained.

On the basis of the classification of expenditure, in the course of the budgetary procedure, the European Parliament is entitled to table amendments or propose modifications to the draft budget.

The distinction is not merely theoretical. In fact, the implications, procedure and majorities required are different.

Proposals can be submitted for the modification of 'Compulsory' expenditure. An absolute majority of votes cast is required in the sitting for adoption by the European Parliament. For these modifications to be incorporated in the budget, the Council must accept them by a qualified majority.

Amendments may be tabled in respect of non-compulsory expenditure. A majority of members of the Assembly must vote in favour of the amendments for them to be adopted by the European Parliament. The Council may only provisionally modify these amendments (by a qualified majority). It is then up to the European Parliament to decide on the modifications made by the Council to these amendments (by a majority of members of the Assembly and three-fifths of the votes cast).

The scope of the European Parliament's budgetary powers is thus dependent on the classification of expenditure.

(b) The 'new rate' of increase of non-compulsory expenditure

26. Article 203 of the Treaty, which establishes the distinction between compulsory and non-compulsory expenditure, provides that the increase in non-compulsory expenditure from one financial year to the next is subject to a 'maximum rate' (paragraph 8). If this rate is too low, a 'new rate' may be established by joint agreement between the Council and Parliament.

The Commission has established a maximum rate of increase of 15.3% for 1976. In its opinion, however, the total expenditure requires a higher rate. According to the Commission the increase of non-compulsory expenditure represents a rate of 76.85% and this new rate should be established by joint agreement between the Council and the European Parliament. This high rate is explained by the impact of the actions which are being considerably extended in 1976 and by the addition of new actions.

In classifying expenditure differently, the Council considered that the rate of increase of non-compulsory expenditure is only 16.06% (but even this rate is higher than the 'maximum rate' of 15.3% and would require the fixing of a new rate).

The European Parliament already has a margin within which it may increase non-compulsory expenditure equivalent to half the maximum rate established by the Commission (i.e. 78 million u.a.). If the European Parliament votes amendments involving expenditure in excess of this amount agreement will have to be reached with the Council on the fixing of a new rate of increase.

X. Conclusion: the European Parliament's power of amendment

27. Regional policy is a typical wide-ranging new policy of a long-term character with considerable financial consequences, on which the European Parliament must have the power of amendment. If it did not have this power all development in the Community would be exempt from democratic control and would work to the European Parliament's disadvantage.

Regional expenditure does not necessarily result from the Treaty. The basic regulation on the Fund was adopted on the basis of Article 235 of the EEC Treaty which applies specifically to cases where the Treaty does not invest the Community with the power to act.

The basic regulation on the Regional Fund does not in itself create an a priori entitlement to Community aid. Aid is allocated by the Commission on the basis of various criteria.

28. The European Parliament, which already expressed a unanimous opinion in the debate on Supplementary Budget No. 1 for 1975, has refused to compromise on the basic principles in this sector. However, it has demonstrated considerable flexibility over the detailed rules of application. In fact, it has undertaken to adhere to the amounts laid down by the Summit Conference in respect of the first three years, while upholding the classification of expenditure which gives it the power of amendment.

29. The draftsman of the opinion of the Committee on Regional Policy and Transport regards it as essential to:

- (a) retain the possibility of increasing the Regional Fund's resources in the future,
- (b) be able to exercise democratic control on the establishment and utilization of these resources.

Therefore, as the Commission is proposing, it is logical to continue classifying this expenditure as non-compulsory in the 1976 budget.

30. The rapporteur of the Committee on Regional Policy and Transport wishes to point out that the European Parliament has always stressed the importance of implementing pluriannual development programmes to ensure satisfactory utilization of the Community funds and act as an incentive to economic development.

However, given the need to provide immediately maximum aid to the least-favoured regions to help cushion the effects of the downturn in economic activity and prevent a further deterioration of the existing imbalance, it seems reasonable to increase the rate of payments as against commitments for these regions.

31. The amount of commitment appropriations is certainly quite insufficient as the short and medium term needs are enormous. But since the endowment has been fixed by the regulation establishing the fund, the amount of the commitment appropriations for 1976 cannot increase. At the end of the initial three-year period, the endowment of the Fund will therefore have to be increased considerably.

32. The amount of 300 million u.a. in payment appropriations proposed by the Council is a reduction in the rate of payments (30%) over the first year (50%) and over the Commission forecasts for the second year (60%).

However, contrary to the Council's forecasts, it appears that all payment appropriations entered in the 1975 budget will be spent. There should not therefore be an excessive reduction in the rate of payments. Moreover, this sum is inadequate, in view of the urgent need for Community action to help the least-favoured regions in the Community which up to the present have not benefited from the economic growth resulting from the development of the Common Market. Since action at Community level to help these regions is new, it should be appropriate.

33. The Committee on Regional Policy and Transport is opposed to recourse to a supplementary budget during the financial year, as the Council suggests. It therefore requests that payment appropriations be increased immediately to 375 million u.a. (representing a rate of 45% of payments as against commitments).

The Committee on Regional Policy and Transport proposes that the increase of 75 million u.a. be entered under Article 98, making it clear that these are provisional appropriations for the Regional Fund.

These 75 million u.a. use up the European Parliament's scope for increasing non-compulsory expenditure (78 million u.a.). Requirements in other sectors such as energy, research, social affairs and development aid are equally pressing. The European Parliament should not risk spreading the 78 million u.a. too thinly, thus reducing the effectiveness of any action. The Committee therefore suggests that the increase in the expenditure of the Regional Fund be added to the mass of increases of expenditure which necessitates the fixing of a 'new rate' of increase of non-compulsory expenditure.

REGIONAL FUND : Table of annual appropriations proposed and provided
(in m u.a.)

	1974	1975	1976	1977	1978
Proposal of July 1973 Commission	500	750 2250	1000		
Preliminary draft budget 1975: Commission		650			
Draft budget 1975 - EP Com. Reg. Pol.		300			
Paris Summit (Oct. 1974) and Regulation on the Fund: Council (March 1975)		300	500 1300	500	
1975 Budget: Council		B 150 (1) c 150 →	(p 150)		
Preliminary draft budget 1976: Commission			(p 150) +p 300 (2) B 450 c 200 →	(p 200)	
Draft budget 1976: Council			(p 150) +p 150 (3) B 300 c 350 →	(p 350)	
Draft budget 1976: EP Com. Reg. Pol.			(p 150) +p 225 (4) B 375 c 275 →	(p 275)	

B : payment appropriations entered in the budget for the current financial year B = p + (p)

p : payment appropriations for commitments entered into during the financial year

(p): payment appropriations for commitments entered into during previous financial year

e : commitment appropriations which will give rise to payments during subsequent financial years

Rate of payments: percentage coverage of commitments by payment appropriations:

(1) 50% of commitment appropriations for the current financial year

(2) 60% of commitment appropriations for the current financial year

(3) 30% of commitment appropriations for the current financial year

(4) 45% of commitment appropriations for the current financial year

COMMITTEE ON ENERGY, RESEARCH AND TECHNOLOGY

OPINION

for the Committee on Budgets

on

those parts of the draft general budget of the
European Communities for the 1976 financial year
which fall within the committee's terms of
reference

Draftsman: Mr G. SPRINGORUM

PART FOUR: OUTCOME OF THE DISCUSSIONS IN THE COMMITTEE ON BUDGETS
ON DRAFT AMENDMENTS AND PROPOSED MODIFICATIONS

76. The Committee on Budgets considered the draft amendments and proposed modifications at its meeting of 30 and 31 October 1975, which was resumed on 4 and 5 November 1975.

The results of its discussions are summarized below.

The voting order followed was that of the budgetary nomenclature. This was applied both to proposals handed in to the sessions office, on which the Committee on Budgets is required to deliver an opinion under Rule 23A(4) of the Rules of Procedure, and to proposals made during the committee's meeting.

I. Introduction

The 1976 draft budget presented by the Council amounts to 7,456,563,862 u.a. This represents an increase of 1,190,805,455 u.a. or 19%, over the 1975 budget (including supplementary budgets nos. 1 and 2 and draft supplementary budget no.3).

Two chapters of Section III (Commission) of the draft budget are of particular interest to the committee. These are Chapter 32 'Expenditure in the industrial and energy sectors' and Chapter 33 'Expenditure on research and investment'¹. As in previous years, Chapter 33 is treated separately and is presented in Annex I to Section III 'Commission', entitled 'Statement of revenue and expenditure relating to research and investment activities'.

II. Comparison between the draft and preliminary draft budgets

A. Expenditure in the industrial and energy sectors (Chapter 32)

The total amount allocated in this chapter is 25 million u.a. whereas the preliminary budget drawn up by the Commission had a figure of 84.544 million u.a.

Of this total, only the appropriations entered under Article 322, pertain to projects in the energy sector and therefore fall within the terms of reference of our committee².

The appropriations entered by the Council under this article should be assessed with reference to the aim, approved by the Council on 17 December 1974, of reducing the Community's dependence on imported energy to 50% and if possible to 40%, by 1985.

Comparing the appropriations entered in the draft budget and those requested by the Commission in its preliminary draft, we can distinguish three cases:

- appropriations for projects already approved by the Council,
- appropriations for projects not yet approved by the Council,

¹ These two chapters appear under Title III 'Expenditure on specific projects undertaken by the Institution'.

² An appropriation of 90,000 u.a. is entered under Article 321 - Item 3210 - 'Research projects in the textiles sector'. It will be recalled that in Mr Glesener's report our committee endorsed this programme, which was approved by the Council in its decision of 14 April 1975.

- appropriations for projects which do not require the Council's approval

1. Appropriations for projects already approved by the Council

	Draft budget drawn up by the Council	Preliminary draft budget drawn up by the Commission
Art. 322 Community technological projects in the hydro- carbon sector	25m u.a.	40m u.a.

2. Appropriations for projects not yet approved by the Council

Art. 322 Joint projects in connection with pro- specting for hydro- carbons	token entry	10 m u.a.
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The committee, and later the European Parliament, approved this Commission proposal (Léonardi report, Doc. 122/75)

Art. 329 'Euratom' loans for nuclear power stations	item deleted	token entry
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Here too, the opinion of this Committee and of the European Parliament had been favourable (Mummel report - Doc. 79/75 rev.).

3. Appropriations for projects which do not require the Council's approval

Art. 323 Prospecting for uranium deposits (application of Art. 70 of the EAEC Treaty) Appropriation to cover ex- penditure on financial inter- vention by the Community in uranium prospecting campaigns in the territories of the Member States	item deleted	5m u.a.
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3. Statement of revenue and expenditure relating to research and
investment activities (Ch. 33 - Annex I, Vol. V)

The statement of revenue and expenditure relating to research and investment activities shows a total allocation of payment appropriations¹ amounting to 104.182 m u.a., whereas the Commission's preliminary draft had

¹ The Financial Regulations applicable to the general budget of the European Communities (Regulation No. 73/91, OJ No. L 116, 1 May 1973) lays down that commitment appropriations represent the upper limit of expenditure to which the Commission can commit itself during the financial year in question for the attainment of the objectives to which this expenditure relates. Payment appropriations represent the upper limit of expenditure which may be incurred or authorized during each financial year to cover commitments entered into during the current financial year or preceding financial years.

a total of 157.873 m u.a. These amounts represent the appropriations entered under chapter 33 as well as the provisional appropriations not allocated entered under Chapter 98. It will be noted at once that in comparison with the Commission's preliminary draft budget, the Council has reduced the appropriations for research by 53.691 m u.a.

In the Council's draft Chapter 33 is divided as follows:

Grand Total	Council's draft in payment appropriations	Commission's prelim. draft in payment appropriations	Difference
Headquarters and indirect action	29,068,591	79,820,287	- 50,751,696
Direct action (JRC)	72,122,521	74,052,584	- 1,930,063
Eximbank operations	4,001,000	4,001,000	-
Total	105,192,112	157,873,871	- 52,689,759

III. Deficiencies in the draft budget in the energy policy and research sectors

A. Energy policy

We have already mentioned that, by its decision of 17 December 1974, the Council had fixed the objective to be achieved by the Community in the area of energy policy by 1985. This consists primarily in reducing the Community's energy dependence. It is clear that such a reduction requires that a number of projects be undertaken in the energy sector. With this in view, the Commission made a number of proposals to the Council which, except in one instance has not yet taken a decision. It remains, however, the opinion of this committee that these proposed projects must be implemented if the Council wishes to put into effect its desire to reduce the Community's dependence on energy.

The committee believes that the Council should show its determination by adopting (by the end of the year at the latest) the following proposals:

- the draft regulation on financial support for undertakings engaged in prospecting for oil,
- proposal for a decision authorizing the Commission to issue Euratom loans as the Community's contribution to the financing of nuclear power stations.

As far as the budget is concerned, this desire should be translated into the following modifications in the draft budget.

	Draft budget	Proposed modification
Art. 322 - Item 3220 Community technological development projects in the hydrocarbon sectors	25 m u.a.	35 m u.a.
Art. 322 - Item 3221 Joint projects in connection with prospecting for hydrocarbons	token entry	1 m u.a.
Art. 329 - Euratom loans for nuclear power stations	no entry	token entry
Art. 323 - Prospecting for uranium deposits	no entry	1 m u.a.
TOTAL	25 m u.a.	37 m u.a.

B. Research policy

1. Indirect actions

We have already pointed out that it was in this area that the Council made the most severe cut-backs (-50.019 m u.a.) in the appropriations proposed by the Commission in the preliminary draft budget.

a. Continuation of existing projects

The draft budget reflects, first of all, the budgetary implications of continuing existing projects, i.e. those included in the multiannual research programme. A total appropriation of 21,346,464 u.a. has been entered for this purpose. There is a further appropriation of 8,454,075 u.a. for expenditure in respect of the staff required to carry out these projects and for those which the Council may later adopt.

b. New projects

In the preliminary draft the Commission requested that 58,135,185 u.a. (payment appropriations) should be entered for six new multiannual research projects (already submitted to the Council) in the areas of fusion, biology, reference materials, environment and high-temperature gas-cooled reactors (Dragon Agreement) and 750,000 u.a. (payments appropriations) for two new research projects which the Commission intends to propose to the Council in the near future, in the areas of nuclear plant safety and fast reactors.

In its Explanatory Memorandum the Council states: 'Since the six new programmes ... have not yet been dealt with in a Council Decision, the Council agreed to enter in Titles 8 and 9 of this draft budget only the appropriations concerning the staff expenditure envisaged for the implementation of these new programmes (8,545,075 u.a. as commitment and payment appropriations in Title 8 and 686,788 u.a. as commitment and payment appropriations in Title 9) and not to enter the appropriations designed to cover other expenditure connected with these new programmes (222,070,262 u.a. as commitment appropriations and 48,994,322 u.a. as payment appropriations).

Since the two new programmes have not yet even been dealt with in a proposal from the Commission to the Council, the latter agreed not to enter the appropriations corresponding to these programmes.

It did however agree that as soon as the decisions had been taken on these proposals for programmes, their financing would be covered by means of a supplementary budget'.

The committee wishes to emphasize in the first place that the six proposed projects already submitted to the Council are in fact the continuation, in the form of new multiannual programmes, of existing research projects due to expire at the end of 1975.

It also wishes to underline the great importance of these programmes for the Community. The Community holds a key position in certain sectors, such as thermo-nuclear fission, thanks to its research projects.

The Committee therefore requests the Council:

- to adopt the proposals relating to these six projects before the end of 1975.
- to enter the necessary appropriations for their inclusion in the budget for 1976. In fact the solution envisaged by the Council which consists

in financing by means of a supplementary budget, would involve a serious drawback by introducing a hiatus between the existing and the new programme. This committee knows from experience that even if the decisions on these six projects are taken at the beginning of 1976, the budgetary procedures are such that the appropriations necessary for their implementation will not be available until some months later.

For these reasons, the Committee on Energy regards as necessary:

- the reentry under Title 3, broken down according to the budgetary lines corresponding to the six programmes, of the 8,454,075 u.a. at present entered under Title 8, 'Miscellaneous activities.'
- an increase of 49,003,514 u.a. in the appropriations for the 6 research programmes.

The appropriations entered under Chapters 3.20, 3.30, 3.31, 3.40, 3.51 and 3.52 of Title 3 should read as follows:

Title 3 - Joint Programme - Headquarters and Indirect action

		Commitment appropriations	Payment appropriations
Chapter 3.20 - Thermonuclear fusion		token entry	1,824,088
	increase	<u>162,089,644</u>	<u>38,350,724</u>
	total	162,089,664	40,174,812
Chapter 3.30 - Biology and health protection (radia- tion protection)		token entry	481,037
	increase	<u>20,496,937</u>	<u>5,566,937</u>
	total	20,496,937	6,047,974
Chapter 3.31 - Biology and health protection (adap- tation to agricul- tural and medical research)		token entry	token entry
	increase	<u>12,284,622</u>	<u>1,866,622</u>
	total	12,284,622	1,866,622
Chapter 3.40 - Dragon Agreement		257,771	456,395
	increase	<u>24,902,362</u>	<u>6,902,362</u>
	total	25,160,133	7,358,757
Chapter 3.51 - Reference materials and methods		token entry	626,079
	increase	<u>991,992</u>	<u>566,992</u>
	total	991,992	1,193,071

	Commitment appropriations	Payment appropriations
Chapter 3.52 - Protection of the environment	token entry	1,454,969
increase	9,767,952	4,203,952
total	9,767,952	5,658,921

In proposing the restoration of these appropriations, this committee believes that these sums should not be included in the margin for manoeuvre available to the European Parliament¹.

Through these modifications, this committee proposes simply to arrive at an optimum utilization of the budgetary appropriations, rather than increase the research budget (since the Council intends to enter the necessary appropriations in a supplementary budget).

2. Direct Actions (JRC)

The draft budget allocates a total of 72.122 m u.a. for direct actions which represents a cut-back of 1.9 m u.a. in the amount proposed in the preliminary draft.

Of this 72.122 m u.a., the Council:

- froze under Title 9 (Provisional Appropriations) the appropriations necessary for the normal operation of the JRC.

	Commitment appropriations	Payment appropriations
Chapter 931 - Provisional appropriations for the adjustment of certain expenditure relating to the operations of the JRC	4,292,800	1,224,303
Chapter 934 - Provisional appropriations for the adjustment of certain expenditure for the HFR reactor	240,000	240,000
Total	4,532,800	1,464,303

- entered under Title 8 (Miscellaneous Activities) 26 m u.a. (in commitment appropriations and payment appropriations) corresponding to expenditure in excess of the endowment for the multiannual research programme.

¹ In the case of expenditure classified as non-compulsory the modifications which the European Parliament can introduce in the budget may not exceed 78 m u.a.

In the case of appropriations entered under Title 9 and necessary to the normal operation of the JRC, this committee has always opposed a budgetary procedure of this kind. The main consequence of such a procedure is poor administration at the level of JRC and a reduction in the usefulness of Community research.

Moreover, the information supplied by the Commission indicates that the 26 m u.a. entered under Title 8, to which should be added the 29.597 m u.a. and the 8.869 m u.a. entered under Titles 2 and 4 (Operational titles) will not be adequate to meet the normal expenditure for staff already employed by the JRC and shown to be necessary for carrying out the multiannual programme.

This committee therefore proposes that:

- the appropriations at present entered in Chapters 931 and 934 of Title 9 be entered under Title 8 (Miscellaneous Activities) with a view to making them operational.
- the 26 m u.a. entered under Chapter 820 of Title 8 be increased by 1.3 m u.a. (in both commitment appropriations and payment appropriations).

COMMITTEE ON CULTURAL AFFAIRS AND YOUTH

OPINION

for the Committee on Budgets

on

the appropriations in the draft general
budget for the financial year 1976
relating to areas falling within the
terms of reference of the Committee on
Cultural Affairs and Youth

Draftsman : Mr W. SUCK

On 1 October 1975 the Committee on Cultural Affairs and Youth appointed Mr Walter Suck rapporteur.

It considered the draft opinion at its meeting of 22 October 1975 and adopted the conclusions on Articles 392 and 393 unanimously; the conclusions on Article 254 by 16 votes to 0 with 2 abstentions; and the conclusions on Article 410 (increase of 10,000 u.a.) by 13 votes to 0 with 5 abstentions.

Voting on the amendment tabled by Mr Vandewiele and others was 10 votes for, 10 against and 1 abstention.

Present: Mr Broeks, chairman
Mr Nolan, vice-chairman
Mrs Walz, vice-chairman
Mr Suck, draftsman
Lord Ardwick, Mr Baas (deputizing for Mr Hougardy),
Mrs Carettoni-Romagnoli, Mr De Sanctis, Mr Deschamps,
Mr Fellermaier (deputizing for Mr Walkhoff),
Lady Fisher of Rednal, Mr Giraudo, Mrs Kellett-Bowman,
Mr Klepsch, Mr Laban, Mr Laudrin (deputizing for Mr Hunault),
Mr Mitchell, Mr Nielsen, Mr Pisoni, Mr Premoli
(deputizing for Mr Meintz), Mr Schulz, Mr Scott-Hopkins
(deputizing for Mr Corrie) and Mr Thornley.

Introduction

1. At the meeting of 1 October 1975 it was proposed that, in considering the draft general budget for 1976, the Committee on Cultural Affairs and Youth should concentrate on the major headings relating to areas falling within its terms of reference. Consequently, in examining the appropriations entered in the draft budget, the committee paid particular attention to Articles 254, 272, 273, 301, 302, 392 and 393.

At its meeting in Rome on 22 October 1975, the committee considered several draft amendments and decided to give them the following order of priority: Article 254, Article 392, Article 410 and Article 393.

I. Appropriations for youth

1. Campaign on behalf of young people (Art. 254)

2. Several months ago, an amended proposal for a decision on the setting up of a Committee for Youth Affairs and a Youth Forum was submitted by the Commission to the Council.

In the 1975 budget, appropriations of 100,000 u.a. were entered under Chapter 98, pending a decision by the Council. The Commission expects its proposal to be adopted before the end of the year, and has entered under Article 254 of the 1976 budget appropriations of 190,000 u.a. to meet all the administrative expenditure of the Committee and the Forum and their secretariats.

The Council reduced the appropriations proposed by the Commission by 90,000 u.a. and entered the remaining 100,000 u.a. under Chapter 98.

3. The Committee on Cultural Affairs and Youth, has decided in principle to restore the original 190,000 u.a. proposed by the Commission and to enter this amount under Article 254 of the budget.

2. Dissemination of information to young people (Art. 273)

4. In comparison with the 1975 budget, the appropriations for this article have been increased by 15%.

In its general introduction to the budget, the Commission expresses its desire for more effective and direct contact with the peoples of the Community through greater use of mass media. It intends to intensify its action as regards school and extra-curricular activities and young people in general.

The Council has retained in the draft budget the appropriations proposed by the Commission, and the Committee on Cultural Affairs and Youth approves this decision.

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5. It should be pointed out that the Committee on Cultural Affairs and Youth had requested, firstly, that the appropriations for youth should be entered against a single article and, secondly, that the European Youth Forum, in respect of which appropriations for operating expenditure are provided in Article 254, should have at its disposal a genuine fund enabling it to carry out a number of projects.

II. Education

1. Expenditure on educational measures (Art. 392)

6. The Commission had entered 1,500,000 u.a. in the preliminary draft budget; the Council deleted this amount, replacing it by a token entry in the draft budget.

After hearing the Commission representative, the Committee on Cultural Affairs and Youth, decided to enter 800,000 u.a. against Article 392. The explanations given by the Commission show that this amount is essential if actions are to be initiated in the education field in 1976.

According to the Commission, this amount may be broken down as follows:

- 300,000 u.a. for the implementation of the various proposals made by the Education Committee;
- 300,000 u.a. for the education of children of migrant workers;
- 150,000 u.a. for encouraging education in the environmental sector;
- 50,000 u.a. for developing the idea and system of the European Schools.

2. Subsidies to institutions of higher education (Art. 410)

7. The Commission had requested appropriations of 96,000 u.a. The Council reduced this to 86,000 u.a. In the light of the resolution adopted by Parliament on the basis of the report by Mrs Carettoni Romagnoli the Committee on Cultural Affairs and Youth decided that the amount originally proposed by the Commission should be restored.

8. The Committee on Cultural Affairs and Youth did not deliver a favourable opinion when asked for its views on an amendment tabled by Mr Vandewiele and four co-signatories increasing appropriations under this article for the Bruges College by 38,000 u.a.

III. Culture (Art. 393)

9. The Commission had entered this new article in the preliminary draft budget with a token entry.

The Council simply deleted the new article.

The Committee on Cultural Affairs and Youth felt that this new article should be entered in the budget with a token entry. The information supplied by the Commission on this point is given in a notice to members (PE 42.267).

IV. Information

Expenditure on the dissemination of information and on participation in public events (Art. 272 - Item 2720)

10. In the preliminary draft budget the Commission had requested appropriations of 5,600,000 u.a. The Council reduced this to 5,200,000 u.a. in the draft budget.

The Commission's request was justified by the measures it had planned within the framework of the 1975 programme and the 1975 supplementary programme.

After hearing the Commission, the Committee on Cultural Affairs and Youth felt that the appropriations requested by it should not be restored, and approved the amount entered by the Council.

V. Conclusion

11. After considering the articles of the draft budget relating to areas falling within its terms of reference, the Committee on Cultural Affairs and Youth makes the following proposals:

- Article 254 : the 190,000 u.a. proposed by the Commission should be restored to the draft budget.

An amendment has been tabled to this effect.

- Article 392 : 800,000 u.a. should be entered against this article, replacing the token entry.

- An amendment has been tabled to this effect.
- Article 410 : the original amount of 96,000 u.a. proposed by the Commission should be restored.

An amendment has been tabled to this effect.

- Article 393 (new article) : the Commission's proposal to enter a new article, 'Expenditure on cultural projects', with a token entry, should be restored.

An amendment has been tabled to this effect.

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The Committee on Cultural Affairs and Youth did not deliver a favourable opinion when asked for its views on the amendment tabled by Mr Vandewiele, Mr Aigner, Mr Seefeld, Mr Premoli and Mr Delmotte.

COMMITTEE ON DEVELOPMENT AND COOPERATION

OPINION

for the Committee on Budgets

on the parts of the draft budget of the European
Communities for the financial year 1976 falling
within the terms of reference of the Committee on
Development and Cooperation

Draftsman: Lord REAY

On 7 October 1975 the Committee on Development and Cooperation appointed Lord Reay draftsman.

It considered the draft opinion at its meeting of 23 October 1975 and adopted it unanimously.

Present: Miss Flesch, chairman; Mr Deschamps and Mr Sandri, vice-chairmen; Lord Reay, draftsman; Mr Bersani, Mr Broeks, Mr Dondelinger, Mr Espersen, Mr Jakobsen, Mr Kaspereit, Mr Lagorce, Mr Brønlund Nielsen, Mr Nolan, Lord St. Oswald, Mr Seefeld and Lord Walston.

INTRODUCTION

1. The European Commission has proposed, in the preliminary draft general budget of the European Communities for the financial year 1976 (Title 9), the appropriation of 419,192,000 u.a. for activities in development cooperation: this is divided up as follows:

Action in connection with development cooperation:

- | | |
|---|-------------|
| - cooperation with ACP, OCT, overseas departments and the Maghreb countries | 115,000,000 |
| - food aid | 294,350,000 |
| - projects in developing countries | 9,842,000 |

The Council has since reduced the total of the above appropriations (419,192,000 u.a.) to 211,222,000 u.a., divided up as follows:

Action in connection with development cooperation:

- | | |
|---|-------------|
| - cooperation with ACP, OCT, overseas departments and the Maghreb countries | - |
| - food aid | 206,600,000 |
| - projects in developing countries | 4,622,000 |

This represents a cut of nearly 50%. Compared to the appropriations in the 1975 budget (252,797,000 u.a.) the reduction amounts to about 16%.

The appropriations included in the draft general budget for 1976 are, in total, 19% higher than those for the financial year 1975. This increase does not, of course, apply in all sectors, but it is noticeable that the development cooperation sector is the only one in which the appropriations proposed show a decrease in both absolute and relative terms.

Food aid

2. Under this heading, the European Commission proposed appropriating 294,350,000 u.a., while the Council wishes to see this figure kept to 206,600,000 u.a. The Commission had based its figures on the policy for the coming years outlined in its memorandum on food aid policy (Doc. 37/74). This memorandum made both minimum and maximum proposals; in view of the gravity of the economic crisis in the Community, the Commission has tried to limit itself to the former. The Council has quite simply cut the amount proposed by the Commission by around 30%, commenting that because of the drop in world prices it will be possible to finance the same food aid programme as for 1975 at lower cost. The Council omits to state that the memorandum on the Community's food

aid policy was submitted to it years ago, and that the European Parliament gave a favourable opinion on this. The Council itself, however, has yet to make its views on this known, and perhaps because of this is totally disregarding the Commission's proposals. This is treating with discourtesy not only the European Commission, which may be assumed not to have suggested spending millions of units of account on food aid without having thought very seriously about the matter, but also the European Parliament, which gave a favourable opinion on the Commission's proposals. It may well be acceptable, given the present economic circumstances, for the food aid programme as proposed by the Commission not to be carried through in its entirety. But when the Council feels that it need make absolutely no comment on what is a crucially important matter for the developing countries, and forgets to mention that the situation has been aggravated by the indecision of the Council itself, then the draftsman of this opinion cannot agree to this. Your committee would, for example, like to know why the Council feels unable to approve the funds for 25,000 extra tonnes of skimmed milk powder. More than 900,000 tonnes are held in stock, and every day this vast amount stays in the storehouses, it is costing the Community - and its budget - money. This is all the more food for thought since the Council is now unable, in its explanatory memorandum, to justify itself by using the clinching argument that the European Commission has not yet made proposals on the subject.

3. On 12 July 1974, the European Parliament approved the Commission's proposals on future policy with regard to food aid.

On that occasion, the European Parliament, among other things¹,

- approved the overall political conception of the memorandum and supported in particular the proposals for the first indicative three-year programme (1974/75 - 1976/77), since this was to be carried out entirely in the form of Community aid;
- requested the Commission to include in the Community budget the funds necessary for implementing the planned indicative programme in the time limit set;
- pointed out that the minimum and maximum amounts laid down in the indicative programme represented only a fraction of what was needed by the developing countries to cover food shortages and therefore appealed urgently to the Community to extend aid further in the coming years;
- took the view that increased aid also had political advantages since it would become part of a general European development and peace policy and thus enhance the Community's moral stature in the world and contribute to the fulfilment of the obligations and objectives of the second development decade;

¹See OJ C 93, 7 August 1974, p. 88ff

4. Your committee, furthermore, on 7 October last, decided¹ to stress afresh the pressing need to implement the minimum programme as proposed by the European Commission, which meant:

- the Community increasing its food aid in the form of grain by 356,300 tonnes;
- aid in the form of milk products being increased by 25,000 tonnes;
- the provision of 3,900 more tonnes of sugar;
- 20 million u.a. being appropriated for the supplying of other products.

To this must be added the following: Mr Rumor, President-in-Office of the Council and Foreign Minister of Italy, said on 2 September 1975, at the Seventh Special Session of the General Assembly of the United Nations, that encouragement should be given to agricultural production in the developing countries as a priority concern, this being in the long run the only effective way of solving the problem of world hunger. In view of the urgency of present needs, the Community would, Mr Rumor stated on this occasion, continue to provide food aid, taking account of the aims of the World Food Conference. If the Community wants to retain its credibility, it will have at least to honour promises it has given at official international gatherings.

5. Your committee notes that Canada is to step up its food aid for 1975/76, from an estimated 516,000 tonnes for 1974/75, to 1 million tonnes. Australia will be giving 400,000 tonnes instead of 320,000 tonnes, and Saudi Arabia (which initially gave nothing at all) will provide 100,000 tonnes. The United States, which in 1974/75 already provided more than half of the programme (to be exact, 5,430,000 tonnes), will be contributing 5,900,000 tonnes during 1975/76. All this in an attempt to cope with the estimated need of 10 million tonnes of grain. Only the Community and its Member States - one of the major participants in the conference on food aid - will not be increasing their aid, and will be content with providing 1,287,000 tonnes.

Your committee takes the view that the logical conclusion to be drawn from the foregoing is that the Community should increase its aid in keeping with the minimum proposals put forward by the European Commission.

¹During discussion of the Glinne Report on the World Food Conference in Rome, on 5 - 15 November 1974 (PE 40.854/final).

Financial and technical cooperation with non-associated developing countries

6. The Council has provided no funds for non-associated developing countries (100 million u.a. had been asked for) nor for the fostering of trade relations between these countries and the Community (5 million u.a. requested). The Council does not, in fact, feel itself in a position¹ to examine the Commission's proposals². It is commented that the Council does not wish to prejudge decisions it would have to take on a later occasion. Your committee would have wished to see a greater willingness to take decisions. If the Council continues to weigh the interests of the Member States one against the other, and to allow them to prevail over those of the developing countries, coming to a decision will take a long time yet. Your committee proposes that a start be made by entering an appropriation of 40 million u.a. in the budget for 1976. This would also prevent the Member States entering these appropriations not in the Community budget but in their own national budgets, thus reducing the European Parliament's opportunities for exercising control.

7. What is involved here is money for, inter alia, carrying out development projects in agriculture and providing food in non-associated developing countries, including some of the poorest in the world (such as Bangladesh).

The Parliament has repeatedly spoken in favour of this form of development cooperation, as on 12 July 1974 during discussion of Mr Seefeld's report on the EEC's food aid policy, and on 20 May 1975 during the discussion of Mr Bersani's report on the Community's overall development cooperation policy. The Council, speaking through Mr Rumor at the special session of the UN General Assembly on 2 September 1975, declared that the Community and its Member States would do everything in their power to increase aid from public funds to a level of 0.7% of GNP.

Measures for developing countries

8. The Council has cut remaining development policy appropriations by a good 50%. The reason for this is the non-inclusion of 5 million u.a. for assistance to non-governmental organizations. The European Parliament asked expressly, in a resolution on 20 May 1975, that proposals be put forward on this, and money earmarked in the budget for financing it. The Council 'did not consider it necessary to create a budgetary item for aid for cooperation projects with the developing countries carried out by non-governmental organizations. The Commission had not, in fact, made any proposals regarding such projects'.³

¹Seven months after the European Commission had submitted the proposals in question, and ten months after the Council had adopted directives on this form of development cooperation.

²Vol. 7 of the Draft General Budget for 1976, p. 29

³Vol. 7 of the Draft General Budget for 1976, p. 30

These proposals have now been submitted. This committee considers that the European Commission ought, of course, to have submitted proposals earlier. But this cannot serve as an excuse for the Council: even when proposals are made it is unable to come to a decision (see paras. 2 and 6). This is shown by the fact that the Council, having in the meantime received the Commission's proposals, discussed them on 13 October last and was unable to reach a decision.

Your committee proposes that bearing in mind the generally-recognized value of non-governmental organizations in developing countries, and bearing in mind, too, the resolution that has already been adopted by the European Parliament on this item, a sum of 2.5 million u.a. be appropriated for this budget item.

